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LOUISIANA MUNICIPAL ASSOCIATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2008

Postlethwaite & Netterville

A Professional Accounting Corporation

www.pncpa.com

LOUISIANA MUNICIPAL ASSOCIATION AND SUBSIDIARIES

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P&N Postlethwaite & Netterville

A Professional Accounting Corporation
Associated Offices in Principal Cities of the United States
www.pncpa.com

INDEPENDENT AUDITORS' REPORT

Officers and Trustees
Louisiana Municipal Association and Subsidiaries
Baton Rouge, Louisiana

We have audited the accompanying consolidated statements of financial position of Louisiana Municipal Association and Subsidiaries (the Association) as of December 31, 2008 and 2007, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit also includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion of the effectiveness of the Association's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Louisiana Municipal Association and Subsidiaries as of December 31, 2008 and 2007, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating schedules included on pages 13 through 16 are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations and cash flows of the individual companies. The consolidating schedules have been subjected to the auditing procedures applied in our audits of the consolidated financial statements and, in our opinion, are fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Postlethwaite & Netterville

Baton Rouge, Louisiana
June 8, 2009

8550 United Plaza Blvd, Suite 1001 • Baton Rouge, LA 70809 • Tel: 225.922.4600 • Fax: 225.922.4611

LOUISIANA MUNICIPAL ASSOCIATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2008 AND 2007

ASSETS

	2008	2007
Cash and cash equivalents	$ 2,024,317	$ 3,939,538
Investments, at estimated fair value (note 2)	3,841,772	1,643,252
Accounts receivable, net	208,412	279,044
Due from affiliates (note 3)	1,239,090	1,289,256
Prepaid expenses	122,563	75,605
Land, building and equipment, net (note 4)	4,195,504	4,242,325
Other assets	62,842	21,359
Total assets	$ 11,694,500	$ 11,490,379

LIABILITIES AND NET ASSETS

	2008	2007
Liabilities:		
Unearned dues and fees	$ 83,904	$ 134,906
Accounts payable and accrued expenses	186,160	228,940
Claims processing liability	250,000	250,000
Total liabilities	520,064	613,846
Net assets - unrestricted	11,174,436	10,876,533
Total liabilities and net assets	$ 11,694,500	$ 11,490,379

The accompanying notes are an integral part of these consolidated financial statements.

LOUISIANA MUNICIPAL ASSOCIATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007
Changes in unrestricted net assets:		
Revenues and other support:		
Administrative fees and commissions (note 3)	$ 4,788,885	$ 4,739,845
Membership dues	286,974	261,557
Legal services (note 3)	315,396	384,899
Rent	129,899	130,244
Investment income, net (note 2)	344,874	325,723
Other income	326,514	351,791
Total revenues and other support	6,192,542	6,194,059
Expenses:		
General and administrative expenses	5,887,720	5,455,366
Change in unrestricted net assets before income taxes	304,822	738,693
Income tax expense	6,919	20,302
Change in unrestricted net assets	297,903	718,391
Net assets - unrestricted, beginning of year	10,876,533	10,158,142
Net assets - unrestricted, end of year	$ 11,174,436	$ 10,876,533

The accompanying notes are an integral part of these consolidated financial statements.

LOUISIANA MUNICIPAL ASSOCIATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007
Cash flows from operating activities:		
Change in unrestricted net assets	$ 297,903	$ 718,391
Adjustments to reconcile the change in unrestricted net assets to net cash provided by operations:		
Depreciation and amortization	337,978	313,677
Deferred income taxes	(25,575)	14,236
Change in receivables, prepaids, due from affiliates and other assets	200,840	(483,763)
Changes in accounts payable, accrued expenses and unearned dues and fees	(203,528)	87,909
Net cash provided by operating activities	607,618	650,450
Cash flows from investing activities:		
Purchases of equipment	(308,411)	(182,200)
Purchases of investments	(2,952,241)	(1,293,708)
Proceeds from sales and maturities of investments	737,813	1,174,844
Net cash used in investing activities	(2,522,839)	(301,064)
Net change in cash	(1,915,221)	349,386
Cash, beginning of year	3,939,538	3,590,152
Cash, end of year	$ 2,024,317	$ 3,939,538
Supplemental disclosures of cash flow information:		
Cash paid during the year for income taxes	$ 40,909	$ -

The accompanying notes are an integral part of these consolidated financial statements.

LOUISIANA MUNICIPAL ASSOCIATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of Consolidation

The accompanying consolidated financial statements include Louisiana Municipal Association (LMA) and its wholly-owned subsidiaries Risk Management, Inc. (RMI) and Louisiana Municipal Advisory and Technical Services Bureau Corporation (LaMats). All intercompany transactions and balances have been eliminated.

(b) Organization Background

LMA is an association for the municipalities of Louisiana and is incorporated as a non-profit corporation under the laws of the State of Louisiana.

RMI, a Louisiana corporation, serves as the third-party administrator for the Louisiana Municipal Risk Management Agency (LMRMA), which was formed under Louisiana Act No. 462 of 1979, to provide a program of interlocal risk management for LMA's member municipalities. LMA and RMI are related by common management to LMRMA (Worker's Compensation Fund, Public Liability Fund and Accident and Health Fund), the Louisiana Municipal Reserve Fund Agency (LMRFA), and the Louisiana Municipal Association - Unemployment Compensation Fund (LMA-UCF).

Risk Management Insurance Agency (RMIA), which is a wholly-owned subsidiary of RMI, was incorporated in 1992 to act as an agent for purchasing insurance on behalf of member municipalities and others.

LaMats was incorporated in 1998 for the purpose of providing various advisory and technical services primarily to the membership of the LMA.

(c) Financial Statement Presentation

LMA's net assets, support and revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Unrestricted net assets are those that are not subject to donor-imposed stipulations. Currently, LMA has only unrestricted net assets.

LMA reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

(d) Investments

Investments, consisting of U.S. Government Agency obligations and U.S Treasury securities, are recorded at estimated fair value. Unrealized gains and losses on investments in debt securities are recorded in the statement of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or law. Investment income is recorded as increases in unrestricted net assets unless the use is restricted by donor.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Depreciation and Amortization

Depreciation and amortization are computed using straight-line and accelerated methods over the estimated useful lives of the assets as follows:

Buildings and fixtures and leasehold improvements	5-40 years
Office equipment	5-10 years
Automobiles	3-5 years
Land improvements	5 years
Computer equipment and software	3-5 years

(f) Dues Income - LMA

Amounts collected in the current year for membership dues for the following year are recorded as unearned income in the current year. Dues for the current year not collected at December 31 are recorded as income and receivable for the current year. Accounts receivable consist primarily of dues and billings for services and are stated at unpaid balances, less an allowance for doubtful accounts. LMA provides for bad debts using the allowance method whereby bad debts are recognized when prior experience and circumstances affect the ability to collect are doubtful. For the years ended December 31, 2008 and 2007 accounts receivable were considered to be fully collectible and there was therefore no allowance deemed necessary.

(g) Administrative Fees and Commissions

Amounts earned in the current year are based on an estimate of earned premium of LMRMA. Any adjustments from estimated earned premium to actual earned premium are adjusted in the year in which they become known.

(h) Cash and cash equivalents

For the purposes of the consolidated statements of cash flows, cash includes cash in demand deposit and sweep accounts with financial institutions.

(i) Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions. For example, significant estimates and assumptions are used in estimating the claims processing liability, depreciation, and the fair value of investments. If future experience differs materially for the estimates and assumptions, the consolidated financial statements could be affected.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Claims Processing Liability

As service agent for the LMRMA, RMI has responsibility for the administration of the claims related to the 2008 and prior fund years. This liability has been estimated based on the estimated costs necessary to fulfill this obligation to continue as service agent for the years for which revenue has been received and recognized.

(j) Recently adopted accounting pronouncements

Effective January 1, 2008, LMA adopted Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements.* SFAS No. 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. The adoption of SFAS *No. 157 did not have a material impact on the Association's consolidated financial statements.* The Association elected partial adoption of SFAS No. 157 under the provisions of Financial Accounting Standards Board (FASB) Staff Position (FSP) 157-2, which amends SFAS No. 157 to allow an entity to delay the application of SFAS No. 157 until January 1, 2009 for certain non-financial assets. See Note 2 for additional disclosures regarding fair value measurements.

(k) Recent accounting pronouncements

In June 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* ("FIN 48"), an interpretation of FASB Statement No. 109. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise financial statements in accordance with SFAS No. 109, *Accounting for Income Taxes* ("SFAS 109"). Additionally, FIN 48 provides guidance on measurement, derecognition, classification, interest, and penalties, accounting in interim periods, disclosure, and transition. In December 2008, the FASB issued FASB Staff Position (FSP) FIN 48-3 which permits an entity within its scope to defer the effective date of FIN 48 to its annual financial statements for fiscal years beginning after December 15, 2008. The Association has elected to defer the application of FIN 48 for the year ending December 31, 2008.

The Association evaluates its uncertain tax positions using the provisions of FASB 5, *Accounting for Contingencies.* Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the financial statements and the amount of loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized. Management has not completed its evaluation of the impact of this standard; however, the Association does not expect the impact will be material the consolidated financial statements.

2. INVESTMENTS AND FAIR VALUE MEASUREMENTS

The amortized cost of investments is $3,527,149 and $1,586,028 at December 31, 2008 and 2007, respectively. The estimated fair value of investments by security type at December 31, 2008 and 2007 are as follows:

	2008	2007
U.S. Government Agency obligations	$ 1,348,821	$ 730,526
U.S. Treasury securities	2,492,951	912,726
	$ 3,841,772	$ 1,643,252

Net investment income for the years ended December 31, 2008 and 2007 consists of the following:

	2008	2007
Interest income	$ 139,491	$ 263,835
Realized gains (losses) – net	7,706	(1,387)
Unrealized gains arising during year, net	197,677	63,275
	$ 344,874	$ 325,723

As defined in SFAS No. 157, fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. In addition to defining fair value, SFAS No. 157 expands the disclosure requirements around fair value and establishes a fair value hierarchy for valuation inputs. The hierarchy prioritizes the inputs into 3 levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of the three levels which is determined by the lowest level input that is significant to the fair value measurement in its entirety. These levels are:

- Level 1 - inputs are based upon adjusted quoted prices for identical instruments traded in active markets.
- Level 2 - inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of assets.
- Level 3 - inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

LMA's securities are measured on a recurring basis through models used by its investment custodian. As of December 31, 2008, U.S. Treasury Securities valuation methods meet Level 1 criteria while U.S. Government Agency obligations meet Level 2. Fair values are derived from a model which uses actively quoted rates, prepayment models and other underlying credit and collateral data.

3. RELATED PARTY TRANSACTIONS

LMA provides services related to the LMRMA's self-insurance funds operated for the benefit of member Louisiana municipalities. The fees for these services are based on a percentage of the respective earned normal premiums (ENP) for the year ended December 31, 2008 and earned standard premiums (ESP) for the year ended December 31, 2007 or on a per covered participant (PCP) basis. The following summarizes administrative fees earned by LMA from LMRMA for the years ended December 31, 2008 and 2007, and balances due from LMRMA:

		Administrative fees earned from LMRMA	Due from LMRMA
	Workers' Compensation	$ 899,268	$ 599,268
2008:	Public Liability	677,155	437,155
	Accident and Health	13,034	1,030
		$ 1,589,457	$ 1,037,453
	Workers' Compensation	$ 988,169	$ 688,169
2007:	Public Liability	717,757	477,754
	Accident and Health	12,773	1,030
		$ 1,718,699	$ 1,166,953

LMA also provides legal assistance for the various member municipalities and the LMRMA on a fee for service basis.

RMI has a contract with LMRMA to provide service agent services for a percentage of ENP for the year ended December 31, 2008 and ESP for the year ended December 31, 2007. Balances and amounts from transactions with LMRMA during the years ended December 31 are as follows:

	2008	2007
Service fees earned	$ 2,070,544	$ 2,100,487
Percent of RMI's total service fees and commissions	80.5%	84.5%
Balance due from LMRMA	$ 201,637	$ 122,303

In addition, RMI receives a five percent commission on reinsurance purchased by LMRFA.

3. RELATED PARTY TRANSACTIONS (continued)

LMRMA provides accident and health and workers' compensation insurance to employees of LMA and RMI. The total consolidated insurance expense (included in employee benefits) was $207,547 and $207,965 during the years ended December 31, 2008 and 2007, respectively, for these employee insurance costs.

4. LAND, BUILDING AND EQUIPMENT

Land, building and equipment consisted of the following as of December 31:

	2008	2007
Land	$ 530,000	$ 530,000
Buildings and leasehold improvements	5,598,744	5,588,011
Furniture and equipment	2,003,016	1,744,624
Vehicles	120,381	120,630
	8,252,141	7,983,265
Accumulated depreciation and amortization	(4,056,637)	(3,740,940)
	$ 4,195,504	$ 4,242,325

5. INCOME TAXES

LMA is incorporated as a non-profit organization and has been granted an exemption from income taxes under Section 501(c)(4) of the Internal Revenue Code. However, certain activities of LMA may be subject to income tax as unrelated business taxable income.

RMI is a taxable entity which had income tax benefit of $1,281 and expense $25,788 in 2008 and 2007, respectively. LaMats is a taxable entity which had income tax expense of $8,200 and benefit of $5,486 in 2008 and 2007, respectively. Timing differences between financial statement and taxable income relate primarily to the liability for estimated future claims processing costs and depreciation. The consolidated provision for income taxes for the years ended December 31, 2008 and 2007 is summarized as follows:

	2008	*2007*
Taxes payable currently	$ 32,494	$ 6,066
Deferred tax expense (benefit)	(25,575)	14,236
	$ 6,919	$ 20,302

5. INCOME TAXES (continued)

Components of the net deferred tax asset which is included in other assets on the accompanying consolidated statements of financial position are as follows at December 31:

	2008	2007
Deferred tax assets (liabilities):		
Claims processing liability	$ 49,122	$ 49,122
Depreciation on premises and equipment	(18,920)	(44,495)
Net deferred tax asset	$ 30,202	$ 4,627

6. DEFERRED COMPENSATION PLAN

LMA offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. This plan, available to all employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

7. MULTI-EMPLOYER PENSION PLAN

All full-time employees of LMA and RMI's (including related subsidiaries) participate in Plan A of the Municipal Employee's Retirement System of Louisiana (the Plan), a multiple-employer municipal employee retirement system. The payroll for LMA's employees covered by the Plan for the years ended December 31, 2008 and 2007 was $1,172,434 and $1,121,823, respectively. Payroll for RMI's employees covered by the Plan for the years ended December 31, 2008 and 2007 was $852,770 and $785,499, respectively.

All employees of LMA and RMI are required to participate in the Plan if they are under the age of 60, are full-time employees, and are not participating in another publicly funded retirement system. Any employee can retire provided he or she meets one of the following criteria: any age with 25 or more years of credited service or age 60 with a minimum of 10 years of credited service. Retirees are entitled to a retirement benefit, payable monthly for life, equal to 3 percent of the member's final compensation multiplied by his years of creditable service, not to exceed 100 percent of the member's final salary. Employees become fully vested upon reaching 10 years of service. The Plan also provides survivor's and disability benefits. Covered employees are required to contribute a percentage of their salary to the Plan (the rate is determined by the Plan and can fluctuate). Of the total contribution required to be contributed for a covered employee, the employees contribute 5%, while LMA and RMI contribute the remainder. LMA and RMI's contribution percentage is 17.75% for the year ended December 31, 2008. For the year ended December 31, 2007, the contribution rate was 20.5% from January to June and 17.75% from July to December. The contribution requirement for LMA for the years ended December 31, 2008 and 2007 was $259,650 and $270,413, which consisted of $204,855 and $214,319 from LMA and $54,795 and $56,094 from employees, respectively. The contribution requirement for RMI for the years ended December 31, 2008 and 2007 was $193,630 and $189,542, which consisted of $151,194 and $150,267 from RMI, and $42,436 and $39,275 from employees, respectively.

8. CONTINGENCIES AND COMMITMENTS

LMA and its subsidiaries may become involved in litigation from time-to-time through the ordinary course of operations which management believes will not have a material adverse effect upon the consolidated financial statements.

The Association maintains its cash and cash equivalents in bank deposit accounts at a local financial institution. The balance, at times, may exceed the federally insured limits. The insured limits at December 31, 2008, are based on deposit insurance levels elected by the respective financial institutions and the type and extent of deposits maintained by the Association at the respective financial institutions.

CONSOLIDATING SCHEDULES

Schedule I

LOUISIANA MUNICIPAL ASSOCIATION AND SUBSIDIARIES

CONSOLIDATING SCHEDULES OF FINANCIAL POSITION
DECEMBER 31, 2008 AND 2007

	2008					2007				
Assets	Louisiana Municipal Association	Risk Management Inc.	Louisiana Municipal Advisory and Technical Services Bureau Corp.	Eliminations	Consolidated	Louisiana Municipal Association	Risk Management Inc.	Louisiana Municipal Advisory and Technical Services Bureau Corp.	Eliminations	Consolidated
Cash	$ 1,165,247	$ 723,366	$ 135,704	$ -	$ 2,024,317	$ 2,848,402	$ 817,404	$ 273,732	$ -	$ 3,939,538
Investments	3,841,772	-	-	-	3,841,772	1,643,252	-	-	-	1,643,252
Accounts receivable, net	134,950	5,983	67,479	-	208,412	261,567	5,142	14,335	(2,000)	279,044
Due from affiliates	1,037,733	201,637	-	(280)	1,239,090	1,291,953	122,303	-	(125,000)	1,289,256
Prepaid expenses	89,677	19,361	13,525	-	122,563	43,459	18,646	13,500	-	75,605
Investment - subsidiary	970,466	-	-	(970,466)	-	942,189	-	-	(942,189)	-
Land, building and equipment, net	4,038,433	146,182	10,889	-	4,195,504	3,994,516	229,825	17,984	-	4,242,325
Other assets	32,640	30,202	-	-	62,842	16,732	4,627	-	-	21,359
Total assets	$ 11,310,918	$ 1,126,731	$ 227,597	$ (970,746)	$ 11,694,500	$ 11,042,070	$ 1,197,947	$ 319,551	$ (1,069,189)	$ 11,490,379
Liabilities and Net Assets										
Liabilities:										
Unearned dues and fees	$ 83,904	$ -	$ -	$ -	$ 83,904	$ 134,906	$ -	$ -	$ -	$ 134,906
Accounts payable and accrued expenses	52,578	113,503	20,079	-	186,160	30,631	171,459	26,850	-	228,940
Due to affiliates	-	280	-	(280)	-	-	-	127,000	(127,000)	-
Claims processing liability	-	250,000	-	-	250,000	-	250,000	-	-	250,000
Total liabilities	136,482	363,783	20,079	(280)	520,064	165,537	421,459	153,850	(127,000)	613,846
Net assets - unrestricted	11,174,436	762,948	207,518	(970,466)	11,174,436	10,876,533	776,488	165,701	(942,189)	10,876,533
Total liabilities and net assets	$ 11,310,918	$ 1,126,731	$ 227,597	$ (970,746)	$ 11,694,500	$ 11,042,070	$ 1,197,947	$ 319,551	$ (1,069,189)	$ 11,490,379

See accompanying independent auditors' report.

LOUISIANA MUNICIPAL ASSOCIATION AND SUBSIDIARIES

CONSOLIDATING SCHEDULES OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008					2007				
	Louisiana Municipal Association	Risk Management Inc.	Louisiana Municipal Advisory Technical Services Bureau, Corp.	Eliminations	Consolidated	Louisiana Municipal Association	Risk Management Inc.	Louisiana Municipal Advisory Technical Services Bureau, Corp.	Eliminations	Consolidated
Changes in unrestricted net asset:										
Revenues and other support:										
Administrative fees and commissions	$ 1,889,793	$ 2,572,724	$ 467,868	$ (141,500)	$ 4,788,885	$ 2,037,709	$ 2,485,139	$ 405,395	$ (188,398)	$ 4,739,845
Membership dues	286,974	-	-	-	286,974	261,557	-	-	-	261,557
Legal services	315,396	-	-	-	315,396	384,899	-	-	-	384,899
Rent	186,771	-	-	(56,872)	129,899	186,776	-	-	(56,532)	130,244
Investment income	342,861	-	2,013	-	344,874	254,942	-	70,781	-	325,723
Other income	320,328	6,186	-	-	326,514	324,066	27,725	-	-	351,791
Equity in income of subsidiaries	28,277	-	-	(28,277)	-	109,295	-	-	(109,295)	-
Total revenues and other support	3,370,400	2,578,910	469,881	(226,649)	6,192,542	3,559,244	2,512,864	476,176	(354,225)	6,194,059
Expenses:										
General and administrative	3,072,497	2,593,731	419,864	(198,372)	5,887,720	2,840,853	2,351,943	507,500	(244,930)	5,455,366
Total expenses	3,072,497	2,593,731	419,864	(198,372)	5,887,720	2,840,853	2,351,943	507,500	(244,930)	5,455,366
Change in unrestricted net assets before income taxes	297,903	(14,821)	50,017	(28,277)	304,822	718,391	160,921	(31,324)	(109,295)	738,693
Income tax expense (benefit)	-	(1,281)	8,200	-	6,919	-	25,788	(5,486)	-	20,302
Change in unrestricted net assets	297,903	(13,540)	41,817	(28,277)	297,903	718,391	135,133	(25,838)	(109,295)	718,391
Net assets - unrestricted, beginning of year	10,876,533	776,488	165,701	(942,189)	10,876,533	10,158,142	641,355	191,539	(832,894)	10,158,142
Net assets - unrestricted, end of year	$ 11,174,436	$ 762,948	$ 207,518	$ (970,466)	$ 11,174,436	$ 10,876,533	$ 776,488	$ 165,701	$ (942,189)	$ 10,876,533

See accompanying independent auditors' report.

LOUISIANA MUNICIPAL ASSOCIATION AND SUBSIDIARIES

CONSOLIDATING SCHEDULES OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008					2007				
	Louisiana Municipal Association	Risk Management Inc.	Louisiana Municipal Advisory Technical Services Bureau, Corp.	Eliminations	Consolidated	Louisiana Municipal Association	Risk Management Inc.	Louisiana Municipal Advisory Technical Services Bureau, Corp.	Eliminations	Consolidated
Cash flows from by operating activities:										
Change in unrestricted net assets	$ 297,903	$ (13,540)	$ 41,817	$ (28,277)	$ 297,903	$ 718,391	$ 135,133	$ (25,838)	$ (109,295)	$ 718,391
Adjustments to reconcile change in unrestricted net assets to net cash provided by (used in) operations:										
Depreciation and amortization	264,494	66,389	7,095	-	337,978	223,420	83,751	6,506	-	313,677
Deferred income tax	-	(25,575)	-	-	(25,575)	-	14,236	-	-	14,236
Equity in subsidiary	(28,277)	-	-	28,277	-	(109,295)	-	-	109,295	-
Change in receivables, prepaids, due to/from affiliates and other assets	334,619	(80,610)	(53,169)	-	200,840	(335,528)	(123,281)	(24,954)	-	(483,763)
Changes in accounts payable, accrued expenses and unearned dues and fees	(29,055)	(40,702)	(133,771)	-	(203,528)	(9,903)	(6,784)	104,596	-	87,909
Net cash provided by (used in) operating activities	839,684	(94,038)	(138,028)	-	607,618	487,085	103,055	60,310	-	650,450
Cash flows from investing activities:										
Purchases of equipment	(308,411)	-	-	-	(308,411)	(76,542)	(90,014)	(15,644)	-	(182,200)
Purchases of investments	(2,952,241)	-	-	-	(2,952,241)	(1,293,708)	-	-	-	(1,293,708)
Proceeds from sales and maturities of investments	737,813	-	-	-	737,813	1,174,844	-	-	-	1,174,844
Net cash used in investing activities	(2,522,839)	-	-	-	(2,522,839)	(195,406)	(90,014)	(15,644)	-	(301,064)
Net change in cash	(1,683,155)	(94,038)	(138,028)	-	(1,915,221)	291,679	13,041	44,666	-	349,386
Cash, beginning of year	2,848,402	817,404	273,732	-	3,939,538	2,556,723	804,363	229,066	-	3,590,152
Cash, end of year	$ 1,165,247	$ 723,366	$ 135,704	$ -	$ 2,024,317	$ 2,848,402	$ 817,404	$ 273,732	$ -	$ 3,939,538

See accompanying independent auditors' report.

LOUISIANA MUNICIPAL ASSOCIATION AND SUBSIDIARIES

CONSOLIDATING SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES
YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008					2007				
	Louisiana Municipal Association	Risk Management Inc.	Louisiana Municipal Advisory and Technical Services Bureau, Corp.	Eliminations	Consolidated	Louisiana Municipal Association	Risk Management Inc.	Louisiana Municipal Advisory and Technical Services Bureau, Corp.	Eliminations	Consolidated
Accounting, audit and actuary	$ 11,200	$ -	$ 13,700	$ (9,000)	$ 15,900	$ 23,750	$ -	$ 12,000	$ (9,000)	$ 26,750
Administrative fees	-	57,500	306,600	(132,500)	231,600	-	54,398	347,696	(179,398)	222,696
Advertising	-	5,275	5,880	-	11,155	-	4,553	5,880	-	10,433
Board and district meetings	10,000	-	-	-	10,000	10,000	-	-	-	10,000
Books and periodicals	-	6,009	-	-	6,009	-	10,299	-	-	10,299
Claims processing outsourced	-	571,775	-	-	571,775	-	524,847	-	-	524,847
Commissions	-	14,145	-	-	14,145	-	14,686	-	-	14,686
Convention/conference expenses	268,126	-	-	-	268,126	204,895	-	-	-	204,895
Consulting	78,900	113,103	-	-	192,003	80,510	109,023	-	-	189,533
Depreciation and amortization	264,494	66,389	7,095	-	337,978	223,420	83,751	6,506	-	313,677
Dues	19,319	185	-	-	19,504	21,741	185	-	-	21,926
Education	16,613	45,367	-	-	61,980	12,948	8,642	-	-	21,590
Employee benefits	388,017	298,641	-	-	686,658	389,973	296,024	-	-	685,997
Equipment, maintenance and rental	49,117	84,087	-	-	133,204	42,727	43,222	-	-	85,949
Field audits	-	74,376	-	-	74,376	-	55,552	-	-	55,552
Insurance	51,621	13,792	-	-	65,413	57,537	19,351	2,000	-	78,888
Legal services	32,250	-	26,609	-	58,859	23,329	-	57,413	-	80,742
Legislative support	4,892	-	-	-	4,892	8,752	-	-	-	8,752
Louisiana Municipal Review	40,814	-	-	-	40,814	46,087	-	-	-	46,087
Miscellaneous	72,502	47,939	31,031	-	151,472	39,194	27,511	46,670	-	113,375
National League of Cities	1,096	-	-	-	1,096	5,642	-	-	-	5,642
Office supplies and postage	65,801	26,738	-	-	92,539	64,459	45,494	198	-	110,151
Payroll taxes	-	82,685	-	-	82,685	-	75,536	-	-	75,536
Per diem - Board	72,000	14,100	-	-	86,100	58,500	14,350	-	-	72,850
Professional services	32,500	-	19,500	-	52,000	33,750	-	19,500	-	53,250
Printing	28,191	10,675	-	-	38,866	20,803	9,955	-	-	30,758
Public information	15,567	-	-	-	15,567	20,714	-	-	-	20,714
Rent	15,600	53,512	3,360	(56,872)	15,600	15,600	53,172	3,360	(56,532)	15,600
Salaries	1,195,603	928,402	-	-	2,124,005	1,149,976	837,313	-	-	1,987,289
Telephone	28,699	22,273	6,089	-	57,061	28,929	21,226	6,277	-	56,432
Travel and meetings	71,105	56,763	-	-	127,868	53,990	42,853	-	-	96,843
Utilities and maintenance	238,470	-	-	-	238,470	203,627	-	-	-	203,627
Total general and administrative expenses	$ 3,072,497	$ 2,593,731	$ 419,864	$ (198,372)	$ 5,887,720	$ 2,840,853	$ 2,351,943	$ 507,500	$ (244,930)	$ 5,455,366

See accompanying independent auditors' report.

LOUISIANA MUNICIPAL RESERVE FUND AGENCY

FINANCIAL STATEMENTS

DECEMBER 31, 2008

P&N

LOUISIANA MUNICIPAL
RESERVE FUND AGENCY

FINANCIAL STATEMENTS

DECEMBER 31, 2008

LOUISIANA MUNICIPAL RESERVE FUND AGENCY

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Postlethwaite & Netterville
A Professional Accounting Corporation
Associated Offices in Principal Cities of the United States
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INDEPENDENT AUDITORS' REPORT

Officers and Trustees
Louisiana Municipal Reserve Fund Agency
Baton Rouge, Louisiana

We have audited the accompanying statements of net assets of Louisiana Municipal Reserve Fund Agency (a quasi-public organization) (the Fund) as of December 31, 2008 and 2007 and the related statements of revenues, expenses and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and with *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Louisiana Municipal Reserve Fund Agency as of December 31, 2008 and 2007, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 2 through 4 and the schedule of ten-year claims development information on page 17 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit this information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report, dated June 8, 2009, on our consideration of the Fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audits.

Postlethwaite & Netterville

Baton Rouge, Louisiana
June 8, 2009

8550 United Plaza Blvd, Suite 1001 • Baton Rouge, LA 70809 • Tel: 225.922.4600 • Fax: 225.922.4611

LOUISIANA MUNICIPAL RESERVE FUND AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

The Management's Discussion and Analysis of the Louisiana Municipal Reserve Fund Agency's (the Fund) financial performance presents a narrative overview and analysis of the Fund's financial activities for the years ended December 31, 2008 and 2007. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. We encourage readers to consider the information presented here in conjunction with the Fund's financial statements, which follow this section.

Financial Highlights

- The assets of the Fund exceeded its liabilities at December 31, 2008 by $13,048,256 compared to $21,791,427 as of December 31, 2007, which is a 41% decrease from the previous year.
- At December 31, 2008, the Fund's assets totaled $42,982,006, which consisted primarily of investment securities primarily composed of cash, direct and indirect investments in U.S. Government debt obligations, and receivables. At December 31, 2007, the Fund's assets totaled $41,849,955 and were comprised of similar types of assets.
- The Fund reported gross earned premiums of $3,246,442 and $3,045,779 during the years ended December 31, 2008 and 2007, respectively.
- The Fund recognized investment income of $3,752,410 and $3,044,167 during the years ended December 31, 2008 and 2007, respectively. The increase in investment income is attributed to favorable changes in market values of the Fund's investment portfolios.
- The Fund had a decrease in net assets of $8,731,171 during the year ended December 31, 2008 and a increase in net assets of $343,059 during the year ended December 31, 2007.

Overview of the Financial Statements

This financial report consists of Management's Discussion and Analysis and the basic financial statements. The basic financial statements also include notes to the financial statements, which explain some of the information in the financial statements in more detail.

The basic financial statements of the Fund report information about the Fund using accounting methods similar to those used by private sector. The Statements of Net Assets include all of the Fund's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to the Fund's members and creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Fund and assessing the liquidity and financial flexibility of the Fund. All of the year's revenues and expenses are accounted for in the Statements of Revenues, Expenses and Changes in Net Assets. These statements measure the success of the Fund's operations over the year and can be used to determine whether the Fund has successfully recovered all its costs through its premium and investment income, profitability and credit worthiness. The final required financial statements is the Statements of Cash Flows. The primary purpose of these statements is to provide information about the Fund's cash receipts and cash payments throughout the year. These statements report cash receipts, cash payments and net changes in cash resulting from operations, investing, and financing activities.

Overview of the Financial Statements (continued)

The preparation of these financial statements requires the utilization of significant estimates, many of which will not be known for many years. Changes in estimates as well as the differences in actual results and estimated amounts will be included in the Statement of Revenues, Expenses and Changes in Net Assets as these circumstances become known.

Financial Analysis of the Fund

The Statements of Net Assets and the Statements of Revenues, Expenses and Changes in Net Assets report information in a way that the reader can determine if the Fund is in a better financial position as a result of the year's activities. These statements report the net assets of the Fund and changes in them. The net assets (difference between assets and liabilities) can be used to measure financial health or financial position. Over time, increases and decreases in the Fund's net assets are one indicator as to whether its financial health is improving or deteriorating. There are other non-financial factors to consider, such as changes in economic conditions, healthcare costs, judicial environment, and new or changed government legislation.

Condensed Statements of Net Assets at December 31,:

	2008	2007
Total assets	$ 42,982,006	$ 41,849,955
Total liabilities	29,933,750	20,058,528
Net assets	$ 13,048,256	$ 21,791,427

All of the Fund's assets can be used for any lawful purpose consistent with the policies and guidelines established by the Board of the Fund. Total assets increased approximately 2.7% while liabilities increased 49% due to increase in claims liabilities resulting from both unfavorable development of claims associated with prior years as well as higher claims estimates incurred in 2008. Net assets decreased approximately 40% from the prior year resulting from higher incurred claims.

Condensed Statements of Revenues and Expenses and Changes in Net Assets for the Years Ended December 31:

	2008	2007
Operating revenues	$ 3,246,442	$ 3,045,779
Operating expenses	15,742,023	5,746,887
Operating loss	(12,495,581)	(2,701,108)
Non-operating income	3,752,410	3,044,167
Change in net assets	$ (8,743,171)	$ 343,059

Financial Analysis of the Fund (continued)

During the year ended December 31, 2008, the Fund reported premium earned of $3,246,442 and investment income of $3,752,410. Premiums earned increased due to increases in certain premium rates charged to affiliated risk retention funds operated for the benefit of Louisiana municipalities and changes in membership/premiums of those funds. Investment income increased due to more favorable market performance in the Fund's investment as well as continued growth of the portfolio. The Fund reported total expenses of $15,742,023 which consisted primarily of claims expense. Total expenses increased approximately $10 million due primarily to increased claims and unfavorable development in all three base insurance funds. The Fund experienced a decrease in net assets of $8,743,171 for the current year. See the Statements of Revenues, Expenses and Changes in Net Assets on page 6 of this report.

Requests for Information

This financial report is designed to provide members, investors, and creditors with a general overview of the Fund's finances, as well as demonstrate accountability for funds the Fund receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Louisiana Municipal Reserve Fund Agency, P.O. Box 4327, Baton Rouge, Louisiana 70821 or 225-344-5001.

LOUISIANA MUNICIPAL
RESERVE FUND AGENCY

STATEMENTS OF NET ASSETS
DECEMBER 31, 2008 AND 2007

ASSETS

	2008	2007
Cash and cash equivalents (note 4)	$ 187,373	$ 854,604
Investments (note 4)	42,287,295	40,536,908
Accrued interest receivable	421,627	441,152
Other receivables	78,347	17,291
Due from affiliates (note 2)	1,022	-
Reinsurance receivable	6,342	-
Total assets	$ 42,982,006	$ 41,849,955

LIABILITIES AND NET ASSETS

	2008	2007
Liabilities:		
Claims payable (note 2)	$ 754,109	$ -
Unpaid claims liability (note 3)	29,170,000	19,878,000
Due to affiliates (note 2)	-	11,089
Accrued expenses	9,641	169,439
Total liabilities	29,933,750	20,058,528
Net assets	13,048,256	21,791,427
	$ 42,982,006	$ 41,849,955

The accompanying notes are an integral part of these financial statements.

LOUISIANA MUNICIPAL
RESERVE FUND AGENCY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007
OPERATING REVENUES		
Premiums earned (note 2)	$ 3,246,442	$ 3,045,779
Total operating revenues	3,246,442	3,045,779
OPERATING EXPENSES		
Claims expense (note 3)	15,614,849	5,623,246
Reinsurance premium	55,944	55,130
Miscellaneous	71,230	68,511
Total operating expenses	15,742,023	5,746,887
OPERATING LOSS	(12,495,581)	(2,701,108)
NON-OPERATING INCOME		
Investment income, net (note 4)	3,752,410	3,044,167
CHANGE IN NET ASSETS	(8,743,171)	343,059
Net assets, beginning of year	21,791,427	21,448,368
Net assets, end of year	$ 13,048,256	$ 21,791,427

The accompanying notes are an integral part of these financial statements.

LOUISIANA MUNICIPAL RESERVE FUND AGENCY

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007
Cash flows from operating activities:		
Operating loss	$ (12,495,581)	$ (2,701,108)
Adjustments to reconcile operating loss to net cash used in operations:		
Change in due from affiliates, reinsurance receivable, other receivables	(79,509)	204,332
Change in unpaid claims liability	9,292,000	75,000
Change in accrued expenses	594,311	157,141
Net cash used in operating activities	(2,688,779)	(2,264,635)
Cash flows from investing activities:		
Purchases of investments	(9,403,157)	(10,598,728)
Proceeds from sales or maturities of investments	9,370,585	9,552,589
Investment income received	2,054,120	2,108,691
Net cash provided by investing activities	2,021,548	1,062,552
Net change in cash	(667,231)	(1,202,083)
Cash, beginning of year	854,604	2,056,687
Cash, end of year	$ 187,373	$ 854,604

The accompanying notes are an integral part of these financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Background and Financial Statement Presentation

Louisiana Municipal Reserve Fund Agency (LMRFA or the Fund) was formed under Louisiana Revised Statutes 33:1349(e). LMRFA consists of interlocal risk management agencies pooling excess funds to provide reinsurance. Administration of the Fund is vested in the Executive Board of LMA. LMRFA reinsures the Louisiana Municipal Risk Management Agency (LMRMA) Public Liability Fund, Workers' Compensation Fund and Accident and Health Fund. During 2008 and 2007, LMRFA also reinsured two municipalities.

LMRMA was formed under Louisiana Act No. 462 of 1979 to provide a program of workers' compensation, accident and health, and public liability coverage for its member organizations. In accordance with Revised Statutes 33:1341-1350, all local government subdivisions in the state of Louisiana are eligible to participate. The program's general objectives are to formulate, develop, and administer, on behalf of the member local governmental subdivisions, a program of interlocal risk management, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. Local governmental subdivisions joining the Fund must be members of the Louisiana Municipal Association; a member may withdraw from the Fund by giving proper notice. Fund underwriting and rate-setting policies have been established by the Board of LMRMA after actuarial consultation. If the assets of the Fund were to be exhausted, members would only be responsible for their respective outstanding claims.

Louisiana Municipal Association (LMA) is an association for the municipalities of Louisiana and is incorporated as a non-profit corporation under the laws of the State of Louisiana. LMA acts as the administrator for LMRFA.

Risk Management, Inc. (RMI) is a third-party service agent primarily for LMRMA insurance funds and LMRFA. RMI, a Louisiana Corporation, is a wholly-owned subsidiary of LMA.

The various LMRMA Funds, LMA, RMI, and LMRFA are all affiliated through common membership and management control. Although all of these entities are related parties, their various net assets are available only to each individual entity for its operations. For this reason each entity is presented as a separate "stand alone" entity in accordance with Governmental Accounting Standards Board (GASB) Statement No. 10 and GASB Statement No. 14.

(b) Basis of Accounting

The Fund is considered an enterprise fund and, accordingly, uses the accrual method of accounting and the flow of economic resources measurement focus. Under the accrual basis of accounting, revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred. The Fund applies all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989 in accounting for its operations unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

Since the business of the Fund is essentially that of an insurance company having a business cycle greater than one year, the statements of net assets are not presented in a classified format.

1. **SIGNIFICANT ACCOUNTING POLICIES** (continued)

(c) *Investments*

Investments are reported at estimated fair value except for short-term and money market investments, consisting primarily of U.S. Treasury obligations with a maturity of one year or less at time of purchase, which are reported at cost. Fair value is based on the last reported sales price if available; if not available, fair value is based on estimated fair value. Realized gains and losses and changes in unrealized gains and losses on investments recorded at estimated fair value are included in investment income. Investments include money market accounts, repurchase agreements, and U.S. Government Agency and Treasury obligations.

(d) *Premium Income*

Most of the premium income of LMRFA collected in the current year is based on a percentage of premium of LMRMA workers' compensation, public liability, and accident and health funds (see note 2). Pursuant to the reinsurance agreements, the LMRMA Funds are responsible for all of LMRFA's claims servicing and administrative costs. For the years ended December 31, 2008 and 2007, LMRFA provided reinsurance directly to municipalities for a total premium of $94,202 and $66,416, respectively. Acquisition costs associated with new and renewal contracts are expensed when incurred.

(e) *Operating / Non-Operating Revenue and Expense*

Operating revenues consist of member premiums as these revenues are generated from the Fund's operations and are needed to carry out its statutory purpose. All expenses incurred for that purpose are classified as operating expenses. Investment income and other revenues and expenses which are ancillary to the Fund's statutory purpose are classified as non-operating.

(f) *Unpaid Claims Liability*

The policy liabilities reinsured by the Fund are for claims incurred during the benefit period, regardless of when the claims are reported. The Fund establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Estimated amounts of reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Because actual claim costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount, particularly for coverages such as public liability. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claims frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflects past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to claims expense in the periods in which they are made. The carrying amount of liabilities for claims losses and claims expenses are presented at present value in the financial statements.

1. **SIGNIFICANT ACCOUNTING POLICIES** (continued)

(g) Cash and cash equivalents

For the purpose of the statements of cash flows, cash includes cash in demand deposit accounts with banks. Because certificates of deposit, money markets and repurchase agreements are usually purchased with maturities of 90 days or more, they are classified as investments (see note 4).

(h) Income Taxes

The Fund is exempt from federal income taxes under Sections 7701 and 115(1) of the Internal Revenue Code.

(i) Use of Estimates

Management of the Fund has made a number of estimates and assumptions relating to the reporting of assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates and assumptions. For example, significant estimates and assumptions are used in estimating its insurance liabilities, fair values of investments and accruals. If future experience differs materially for these estimates and assumptions, the financial statements could be affected.

(j) Reclassification

Certain items in the 2007 financial statements have been reclassified to be comparative to the 2008 presentation.

2. RELATED PARTY TRANSACTIONS

LMA, RMI, LMRMA and LMRFA provide services related to the self-insurance funds operated for the benefit of Louisiana municipalities. The fees for these services are based on a percentage of the earned standard premiums (ESP) for the year ended December 31, 2007. Beginning January 1, 2008, the fees are based on earned normal premiums (ENP). The respective percentages of the respective earned normal premiums and earned standard premiums as follows:

	2008		2007	
	Fee Basis	Amount	Fee Basis	Amount
Premium income:				
LMRMA:				
Public Liability	16.75% ENP	$ 1,620,335	15.00% ESP	$ 1,722,617
Workers' Compensation	9.00% ENP	660,687	7.25% ESP	651,293
Accident and Health	$28.32 per participant	668,125	$28.32 per participant	605,453
		$ 2,949,147		$ 2,979,363
Due (to) from affiliates:				
LMRMA:				
Public Liability		$ (59,665)		$ (125,381)
Workers' Compensation		60,687		114,292
		$ 1,022		($ 11,089)

The Board of Trustees has authorized that the Fund may lend up to $500,000 to the LMRMA Accident and Health Fund on an unsecured and non-interest bearing basis. There were no advances made during 2007 and 2008 under this agreement.

Claims payable represents amounts payable to the LMRMA Accident and Health Fund for claims unpaid at December 31, 2008, which were in excess of the LMRMA Accident and Health Fund's retention level.

3. CLAIMS EXPENSE AND UNPAID CLAIMS LIABILITY

The following represents changes in the aggregate unpaid claims liabilities for the Fund for the years ended December 31, 2008 and 2007:

	2008	2007
	(Amounts in thousands)	
Liability for unpaid losses at beginning of year, gross	$ 19,878	$ 19,803
Less: Reinsurance recoverables	-	-
Liability for unpaid losses at beginning of year, net	19,878	19,803
Net incurred related to:		
Current year	6,889	4,297
Prior years	8,726	1,326
Total incurred	15,615	5,623
Net paid related to:		
Current year	1,855	718
Prior years	4,468	4,830
Total paid	6,323	5,548
Liability for unpaid losses at end of year, gross	29,170	19,878
Less: reinsurance recoverables	-	-
Liability for unpaid losses at end of year, net	$ 29,170	$ 19,878

During 2008, the Fund experienced overall unfavorable development on unpaid claims liabilities established in prior years due largely to the impact of certain adverse development as it relates to workers' compensation and public liability coverage. During 2007, the Fund also experienced overall unfavorable development on unpaid claims liabilities established in prior years due largely to the impact of certain adverse development as it relates to workers' compensation coverage assumed from LMRMA claims Funds. These significant unfavorable developments are due to certain adverse judicial proceedings as well as large losses that were reported during 2008 but related to events occurring in prior years. In establishing claims liability reserves, management considers facts currently known, historical claims information, industry average loss data and the present state of laws and coverage. However, the process of establishing loss reserves is a complex and imprecise science that reflects significant judgmental factors. Management believes that the aggregate loss reserves at December 31, 2008 are adequate to cover claims for losses that have occurred. Management can give no assurance that the ultimate claims incurred through December 31, 2008 will not vary from the above estimates, and such difference could be significant.

The Fund's claims payable have been discounted for December 31, 2008 and 2007 based on the Fund's anticipated payout patterns and a discount rate assumption of 5%, which management expects to approximate the interest earnings over the payout period. Management believes these revised assumptions more accurately reflect the payout patterns and investment earning rates that should be used for discounting reserves. The effect of the reserve discounts was $12,082,000 and $7,227,000 at December 31, 2008 and 2007, respectively.

4. DEPOSITS AND INVESTMENTS

LMRFA must comply with Rule Number 4 of the Commissioner of Insurance, State of Louisiana. According to Rule Number 4, all deposits in financial institutions made by this Fund shall be limited to institutions in Louisiana unless a higher rate can be obtained in an out-of-state institution. Deposits in financial institutions may exceed the federally insured amount in any one financial institution, as long as the amount is not in excess of the greater of $500,000 or 5% of the combination of surplus, undivided profits and reserves as currently reported by the financial institution. In regard to deposits and investments, the Fund was in compliance with these revised provisions during the years ended December 31, 2008 and 2007.

Under Rule Number 4 of the Commissioner of Insurance, State of Louisiana, the Fund may invest any surplus monies in obligations of the U.S. Government and its agencies, as well as financial institutions. Included in investments are certificates of deposit, money market accounts and repurchase agreements.

Statement Number 40 of the Governmental Accounting Standards Board (GASB Statement No. 40), *Deposits and Investment Risk Disclosures,* established and modified disclosure requirements related to investment risk. This section describes the various types of investment risk and the Funds exposure to each type.

The following table presents the estimated fair value and amortized cost of investments permissible under the rules, objectives and guidelines of the Fund as of December 31, 2008 and 2007:

	2008		2007	
Investment Type	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost
U.S. Government mortgage backed securities	$ 14,275,122	$ 13,948,693	$ 15,007,078	$ 14,952,602
U.S. Government agency debt obligations	20,151,030	18,472,725	18,793,248	18,184,577
U.S. Treasury bonds and notes	6,700,345	6,103,350	6,048,982	5,891,696
Short term investments	1,160,798	1,160,794	687,600	687,600
TOTAL	$ 42,287,295	$ 39,685,562	$ 40,536,908	$ 39,716,475

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Fund will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Exposure to custodial credit risk arises when securities are uninsured, or are not registered in the name of the Fund, and are held by either the counterparty or the counterparty's trust department or agent, but not in the Fund's name.

4. **DEPOSITS AND INVESTMENTS** (continued)

The Fund's investments in government debt obligations are uninsured on the performance of the custodian and are exposed to custodial credit risk because they are held by a counterparty. Investments in external investment pools, mutual funds, and other pooled investments are not exposed to custodial credit risk because of their natural diversification and the diversification required by the Securities and Exchange Commission.

Credit Risk

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Nationally recognized standardized rating systems are a tool with which to assess credit risk on debt obligations. U.S. Government debt securities are not required to be rated. The following table is provided for use in assessing the Fund's exposure to credit risk as of December 31, 2008 and 2007.

Standard and Poor's Rating	Estimated Fair Value 2008	Estimated Fair Value 2007
Money market funds	$ 1,160,798	$ 687,600
U.S. Government securities and U.S. Treasury securities		
Not rated	15,395,132	22,754,389
Rated AAA	25,731,365	17,094,919
Total	$ 42,287,295	$ 40,536,908

Concentration of credit risk relates to the risk of loss attributed to the magnitude of the Fund's investment in a single issuer. The Fund has no investments in any one issuer that represented 5% or more of total investments, other than the U.S. Government.

4. **DEPOSITS AND INVESTMENTS** (continued)

Interest Rate Risk

Interest rate risk is defined as the risk that changes in overall market interest rates will adversely affect the fair value of an investment. This risk is applicable to debt investments with fair values that are sensitive to changes in interest rates. One indicator of the measure of interest rate risk is the dispersion of maturity dates for debt instruments. The following table shows the Fund's fixed income investments and maturities in actively-managed accounts at December 31, 2008:

INVESTMENT TYPE	Estimated Fair Value	INVESTMENT MATURITIES (in years) Less than 1	1-5	6-10	Greater than 10
Short term investments	$ 1,160,798	$ 1,160,798	$ -	$ -	$ -
U.S. Government mortgage backed	14,385,138	100	612,917	5,826,871	7,945,250
U.S. Government Agencies	20,041,014	1,160,735	10,901,175	7,255,626	723,478
U.S. Treasury bonds and notes	6,700,345	1,017,099	2,928,525	2,603,862	150,859
TOTAL	$ 42,287,295	$ 3,338,732	$ 14,442,617	$ 15,686,359	$ 8,819,587

Mortgage-backed securities are included in the above table based upon their contractual terms. These types of securities typically experience repayments over a shorter term.

Net investment income for the years ended December 31, 2008 and 2007 consists of the following:

	2008	2007
Interest income	$ 1,946,025	$ 2,021,734
Net realized gains (losses) – net	25,086	(142,845)
Unrealized gains arising during the year	1,781,299	1,165,278
	$ 3,752,410	$ 3,044,167

5. REINSURANCE POLICY COVERAGE

LMRMA and LMRFA represent a cooperative program for group funding and risk management of public liability, workers' compensation, and accident and health risks of participating Louisiana municipalities. Although premiums billed to the participants are determined on an actuarial basis, ultimate liability for claims remains with the participants.

Ceded:

LMRFA obtained commercial reinsurance to cover a portion of the workers' compensation medical losses for the periods January 1, 1995 through December 31, 2001. For all subsequent years, the LMRFA did not reinsure workers' compensation medical losses. LMRFA obtained commercial reinsurance to cover a portion of the accident and health risks assumed during 2008 and 2007.

Assumed:

For the years ended December 31, 2008 and 2007, LMRFA provided excess reinsurance to LMRMA, Workers' Compensation, Public Liability and Accident and Health Funds with the following limits:

Workers' Compensation Fund

Item I: $2,000,000 annual aggregate in excess of 80% of earned normal premium

Item II: $2,000,000 each and every loss in excess of $175,000 each and every loss

Public Liability Fund

Item I: $5,000,000 annual aggregate in excess of 65% of earned normal premium

Item II: Each and every loss in excess of $100,000 each and every loss

Accident and Health Fund

Item I: Annual aggregate in excess of 125% of annual earned normal premium.

Item II: $900,000 specific losses in excess of $100,000 each and every loss.

As of December 31, 2008 and 2007, LMRFA also provides reinsurance for two municipalities for workers' compensation claims up to an annual aggregate amount ranging from 80% to 90% of their standard premium.

SUPPLEMENTAL INFORMATION

LOUISIANA MUNICIPAL
RESERVE FUND AGENCY

SCHEDULE OF TEN-YEAR CLAIMS DEVELOPMENT INFORMATION
CLAIMS EXPENSE AND RE-ESTIMATED CLAIM ADJUSTMENT EXPENSE

DECEMBER 31, 2008

The table below illustrates the Fund's earned normal premium and investment income compared to related costs and claims expense incurred by the Fund as of the end of 2008 and as of the end of each of the last nine years

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
					(in thousands)					
ENP and investment income	$ 6.999	$ 6,090	$ 4,516	$ 3,658	$ 4,052	$ 4,327	$ 5,324	$ 4.290	$ 4,586	$ 2,591
Operating costs, unallocated	127	124	120	124	118	135	63	294	293	135
Estimated incurred claims and expense, end of policy year	9,125	5,650	4,615	4,009	5,743	3,343	3,710	2,309	1,783	1,983
Paid (cumulative) as of:										
End of policy year	1,855	562	712	371	209	239	-	-	-	-
One year later	-	1,072	1,115	371	209	428	60	413	69	431
Two years later	-	-	1,310	2,378	337	702	1,463	1,158	300	737
Three years later	-	-	-	2,950	1,150	1,479	2,348	1,323	629	910
Four years later	-	-	-	-	2,355	1,594	3,137	1,371	715	1,168
Five years later	-	-	-	-	-	3,029	3,378	1,629	920	1,226
Six years later	-	-	-	-	-	-	3,654	1,691	1,075	1,293
Seven years later	-	-	-	-	-	-	-	1,775	1,257	2,083
Eight years later	-	-	-	-	-	-	-	-	1,473	2,864
Nine years later	-	-	-	-	-	-	-	-	-	3,090
Re-estimated incurred claims and claims expense:										
End of policy year	9,125	5,650	4,615	4,009	5,743	3,343	3,710	2,309	1,783	1,983
One year later	-	8,712	4,491	4,564	4,308	3,215	2,656	2,305	1,624	2,319
Two years later	-	-	5,895	5,515	3,824	3,418	4,942	3,335	1,570	3,690
Three years later	-	-	-	6,211	4,059	4,237	5,176	2,011	1,560	3,842
Four years later	-	-	-	-	6,934	4,160	5,592	2,347	1,731	3,555
Five years later	-	-	-	-	-	4,992	6,131	2,421	1,803	3,561
Six years later	-	-	-	-	-	-	6,025	2,245	2,013	3,368
Seven years later	-	-	-	-	-	-	-	2,425	2,177	3,248
Eight years later	-	-	-	-	-	-	-	-	3,199	3,810
Nine years later	-	-	-	-	-	-	-	-	-	4,055
Increase (decrease) in estimated incurred claims and expense from end of policy year	-	3,062	1,280	2,202	1,191	1,649	2,315	116	1,416	2,072

See accompanying independent auditors' report.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Officers and Trustees
Louisiana Municipal Reserve Fund Agency
Baton Rouge, Louisiana

We have audited the financial statements of Louisiana Municipal Reserve Fund Agency (the Fund) as of and for the year ended December 31, 2008, and have issued our report thereon dated June 8, 2009. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Fund's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the following paragraphs to be significant deficiencies in internal control over financial reporting.

Financial Reporting Process
Management typically reports the Funds' interim financial activity essentially on a cash basis. The annual audited financial statements include significant adjustments to report the Funds' financial statements on an accrual basis in accordance with U.S. generally accepted accounting principles. Pursuant to the year end and audit processes, significant adjustments are required to convert the financial statements from the cash method of accounting to the accrual method of accounting.

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The nature of insurance programs involves significant risks and uncertainties that should be reported and monitored more often than annually. Management does monitor various measures not included in the financial statements but reports financial activities and financial position of the Fund on a cash basis which is not intended to capture important information inherent in accrual basis financial.

Management should implement additional financial reporting procedures to provide interim reporting on an accrual basis of accounting as opposed to essentially a cash basis of accounting. This can be accomplished by expanding financial processes related to premium recognition as well as developing processes for estimating and recording interim claims loss reserves and related expenses. We believe these changes will provide management and the Board with more timely and meaningful financial information to monitor the Fund's financial performance and position.

Loss Reserve Setting and Development
The Fund's administrator recently implemented new claims administration systems to more efficiently administer and adjudicate the Fund's insurance program. However, as is often the case when system conversions, it became apparent that several sources of data key to estimating and development of reasonable and reliable loss reserve liabilities were inconsistent and required extensive analysis. These factors contributed to less reliability and more variability in the overall loss reserve estimation process.

The Fund's loss data should be continually evaluated to better insure sufficient and reliable information is available to estimate loss reserves with reasonable accuracy and consistency. Sufficient industry data and Fund specific information should also be regularly evaluated to assist in the development of fair and reasonable loss reserves and premium rates to diversify the risks among for the Fund's membership.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the management of the Louisiana Municipal Risk Management Agency – Reserve Fund and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Postlethwaite & Netterville

Baton Rouge, Louisiana
June 8, 2009

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
Workers Compensation Fund - - Liability Fund - - Health and Accident Fund

700 North 10th Street, Post Office Box 4327, Baton Rouge, Louisiana 70821

June 25, 2009

Stephen J. Theriot
Legislative Auditor
P.O. Box 94397
Baton Rouge, Louisiana 70804-9397

Dear Sir,

In the Financial Statements for the Louisiana Municipal Risk Management Agency Workers' Compensation Fund, Public Liability Fund, and Reserve Fund, for the year ended December 31 2008, our auditors Postlethwaite & Netterville, noted a significant deficiency in internal control over our financial reporting in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. The deficiencies were described as follows:

> *Financial Reporting Process* – The annual audited financial statements include significant adjustments to report the Funds' financial statements on an accrual basis in accordance with U.S. generally accepted accounting principals. Management should implement additional financial reporting procedures to provide interim reporting on an accrual basis of accounting as opposed to essentially a cash basis of accounting. This can be accomplished by expanding financial processes related to premium recognition as well as developing processes for estimating and recording interim loss reserves and related expenses.
>
> Loss Reserve Setting and Development – The Fund's loss data should be continually evaluated to better insure sufficient and reliable information is available to estimate loss reserves with reasonable accuracy and consistency. Sufficient industry data and Fund specific information should also be regularly evaluated to assist in the development of fair and reasonable loss reserves and premium rates to diversify the risks among the Fund's membership.

When the audit results were presented to the Board of Directors at the June 10, 2009, meeting, this deficiency was noted. The deficiency does not result from any changes in the organization's financial controls or from any difference in our relationship with our auditors compared with past years.

The deficiencies as noted will be eliminated by having the Chief Financial Officer of the Louisiana Municipal Association make the adjustments to the accounts receivable and unearned premium accounts to properly reflect the accrual basis of the receivables/unearned premiums as well as related revenue. New procedures will be implemented for estimating and recording claims loss reserves and related expenses. New billing software has been implemented to allow the Chief Financial Officer to make these adjustments on a quarterly basis. Reinsurance receivables will also be adjusted by the Chief Financial Officer. The Fund's loss data will be continually evaluated to better insure sufficient and reliable information is available to estimate loss reserves with reasonable accuracy and consistency.

Very truly yours,

Tom Ed

Tom Ed McHugh
Executive Director
Louisiana Municipal Association

LOUISIANA MUNICIPAL ASSOCIATION UNEMPLOYMENT COMPENSATION FUND

FINANCIAL STATEMENTS

DECEMBER 31, 2008

P&N Postlethwaite & Netterville

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LOUISIANA MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION FUND

FINANCIAL STATEMENTS

DECEMBER 31, 2008

LOUISIANA MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION FUND

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INDEPENDENT AUDITORS' REPORT

Officers and Trustees
Louisiana Municipal Association
Unemployment Compensation Fund
Baton Rouge, Louisiana

We have audited the accompanying statements of net assets of Louisiana Municipal Association - Unemployment Compensation Fund (a quasi-public organization) (the Fund) as of December 31, 2008 and 2007, and the related statements of revenues, expenses and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and with *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Louisiana Municipal Association - Unemployment Compensation Fund as of December 31, 2008 and 2007, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 2 through 4 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit this information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report, dated June 8, 2009, on our consideration of the Fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audits.

Postlethwaite & Netterville

Baton Rouge, Louisiana
June 8, 2009

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LOUISIANA MUNICPAL ASSOCIATION UNEMPLOYMENT COMPENSATION FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

The Management's Discussion and Analysis of the Louisiana Municipal Association - Unemployment Compensation Fund's (the Fund) financial performance presents a narrative overview and analysis of the Fund's financial activities for the years ended December 31, 2008 and 2007. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. We encourage readers to consider the information presented here in conjunction with the Fund's financial statements, which follow this section.

Financial Highlights

- The assets of the Fund exceeded its liabilities at December 31, 2008 by $4,224,026 compared to $3,777,765 as of December 31, 2007, which is a 11.8% increase from the previous year.
- At December 31, 2008 and 2007, the Fund's assets totaled $4,441,539 and $4,016,837, respectively, which consisted primarily of cash and investments.
- The Fund reported premiums earned of $314,406 and $264,315 during the years ended December 31, 2008 and 2007, respectively, and an increase in net assets of $446,261 in 2008 compared to an increase in net assets of $377,793 during 2007.
- Investment income was $363,368 during 2008 compared to $291,881 during 2007. The increase of 24.5% is attributable primarily to realized and unrealized gains on securities held by the Fund in 2008 with more favorable changes in market valuation during 2008 in the U.S. Treasury and government-sponsored agency fixed income markets as compared to 2007.

Overview of the Financial Statements

This financial report consists of Management's Discussion and Analysis and the basic financial statements. The basic financial statements also include notes to the financial statements, which explain some of the information in the financial statements in more detail.

The basic financial statements of the Fund report information about the Fund using accounting methods similar to those used by private sector. The Statements of Net Assets includes all of the Fund's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to the Fund's members and creditors (liabilities). These statements provide the basis for computing rate of return, evaluating the capital structure of the Fund and assessing the liquidity and financial flexibility of the Fund. All of the year's revenues and expenses are accounted for in the Statements of Revenues, Expenses and Changes in Net Assets. These statements measure the success of the Fund's operations over the year and can be used to determine whether the Fund has successfully recovered all its costs through its premium and investment income, profitability and credit worthiness. The final required financial statement is the Statements of Cash Flows. The primary purpose of these statements is to provide information about the Fund's cash receipts and cash payments throughout the year. These statements report cash receipts, cash payments and net changes in cash resulting from operations, investing, and financing activities.

Overview of the Financial Statements (continued)

The preparation of these financial statements requires the utilization of significant estimates, many of which will not be know for many years. Changes in estimates as well as the differences in actual results and estimated amounts will be included in the Statement of Revenues, Expenses and Changes in Net Assets as these circumstances become known.

Financial Analysis of the Fund

The Statements of Net Assets and the Statements of Revenues, Expenses and Changes in Net Assets report information in a way that the reader can determine if the Fund is in a better financial position as a result of the year's activities. These statements report the net assets of the Fund and changes in them. The net assets (difference between assets and liabilities) can be used to measure financial health or financial position. Over time, increases and decreases in the Fund's net assets are one indicator as to whether its financial health is improving or deteriorating. There are other non-financial factors to consider, such as changes in economic conditions, judicial environment, and new or changed government legislation.

Condensed Statements of Net Assets

	December 31, 2008	December 31, 2007
Total assets	$ 4,441,539	$ 4,016,837
Total liabilities	217,513	239,072
Net assets	$ 4,224,026	$ 3,777,765

The Fund's total assets consist almost entirely of investments in U.S. Treasury and Agency securities and cash equivalents. The Fund's liabilities consist of estimated benefits and related administration costs payable at year end.

Condensed Statements of Revenues and Expenses and Changes in Net Assets for the Years Ended December 31,:

	2008	2007
Operating revenues	$ 314,406	$ 264,315
Operating expenses	231,513	178,403
Operating income	82,893	85,912
Non-operating income	363,368	291,881
Change in net assets	$ 446,261	$ 377,793

Financial Analysis of the Fund (continued)

Operating revenues increased 19% from the years ended December 31, 2008 and 2007 as a result of an increase in participating member municipalities. Claims expense increased approximately 31% from the years ended December 31, 2008 and 2007 primarily as a result of the growth in the membership and increased benefits incurred. Additionally, during 2008, investment income increased due to positive market performance in the Fund's portfolio which consists primarily of U.S. Treasury and agency securities. The Fund's net assets for 2008 increased 13.1% primarily as a result of consistent claims and increased premiums and investment income.

Unemployment trends in the State of Louisiana have begun to increase slightly during 2009 due to declines in overall national and statewide economic activities. These trends indicate the fund will likely incur greater benefit obligations than have been experienced in recent years.

Requests for Information

This financial report is designed to provide members, investors, and creditors with a general overview of the Fund's finances, as well as demonstrate accountability for funds the Fund receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Louisiana Municipal Association – Unemployment Compensation Fund, P.O. Box 4327, Baton Rouge, Louisiana 70821 or 225-344-5001.

LOUISIANA MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION FUND

STATEMENTS OF NET ASSETS
DECEMBER 31, 2008 AND 2007

ASSETS

	2008	2007
Cash and cash equivalents (note 2)	$ 94,491	$ 47,121
Investments (note 2)	4,213,755	3,856,863
Accounts receivable	84,417	68,864
Accrued interest receivable	48,876	43,989
Total Assets	$ 4,441,539	$ 4,016,837

LIABILITIES AND NET ASSETS

	2008	2007
Liabilities:		
Unpaid claims liability (note 3)	$ 150,000	$ 100,000
Accrued expenses	67,513	139,072
Total Liabilities	217,513	239,072
Net assets	4,224,026	3,777,765
	$ 4,441,539	$ 4,016,837

The accompanying notes are an integral part of these financial statements.

LOUISIANA MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION FUND

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007
OPERATING REVENUES		
Premiums earned	$ 314,406	$ 264,315
Total operating revenues	314,406	264,315
OPERATING EXPENSES		
Claims expense (note 3)	171,340	130,407
Service agent fees	45,308	37,377
Miscellaneous	14,865	10,619
Total operating expenses	231,513	178,403
OPERATING INCOME	82,893	85,912
NON-OPERATING INCOME		
Investment income - net	363,368	291,881
CHANGE IN NET ASSETS	446,261	377,793
NET ASSETS - BEGINNING OF YEAR	3,777,765	3,399,972
NET ASSETS - END OF YEAR	$ 4,224,026	$ 3,777,765

The accompanying notes are an integral part of these financial statements.

LOUISIANA MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION FUND

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007
Cash flows from operating activities:		
Operating income	$ 82,893	$ 85,912
Adjustments to reconcile operating income to net cash provided by operations:		
Changes in operating assets and liabilities:		
Accounts receivable	(15,553)	2,386
Accrued expenses	(21,559)	(46,345)
Net cash provided by operating activities	45,781	41,953
Cash flows from investing activities:		
Purchases of investments	(884,316)	(1,242,836)
Proceeds from sale or maturity of investments	690,302	1,046,240
Interest income received	195,603	197,877
Net cash provided by investing activities	1,589	1,281
Net change in cash	47,370	43,234
Cash, beginning of year	47,121	3,887
Cash, end of year	$ 94,491	$ 47,121

The accompanying notes are an integral part of these financial statements.

LOUISIANA MUNICIPAL ASSOCIATION
UNEMPLOYMENT COMPENSATION FUND

NOTES TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Background and Financial Statement Presentation

Louisiana Municipal Association - Unemployment Compensation Fund (the Fund) was formed under Louisiana Revised Statutes 23:1552. The Fund consists of Louisiana municipalities who have joined together through self-insurance agreements to provide unemployment compensation fund insurance to member municipalities. Administration of the Fund is vested in the Executive Board of the Louisiana Municipal Association (LMA). If the assets of the Fund were to be exhausted, members would only be responsible for their respective outstanding claims.

LMA is an association for the municipalities of Louisiana and is incorporated as a nonprofit corporation under the laws of the State of Louisiana. LMA acts as the administrator for the Fund.

As of December 31, 2008, there were approximately 6,943 participants and 152 participating municipalities. As of December 31, 2007, there were approximately 6,133 participants and 142 participating municipalities.

The Fund and LMA are affiliated through common membership and management control. Although both of these entities are related parties, their net assets are available only to the respective entity for its operations. For this reason each entity is presented as a separate "stand alone" entity in accordance with Governmental Accounting Standards Board (GASB) Statement No. 10 and GASB Statement No. 14.

(b) Basis of Accounting

The Fund is considered an enterprise fund and, accordingly, uses the accrual method of accounting and the flow of economic resources measurement focus. Under the accrual basis of accounting, revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred. The Fund applies all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989 in accounting for its operations unless those pronouncements conflict with or contradict GASB pronouncements.

Since the business of the Fund is essentially that of an insurance company having a business cycle greater than one year, the statements of net assets are not presented in a classified format.

(c) Cash and Cash Equivalents

For the purposes of the statements of cash flows, cash includes cash in demand deposit accounts with banks. Because certificates of deposit, money markets and repurchase agreements are usually purchased with maturities of 90 days or more or are reinvested continuously, they are classified as investments.

1. **SIGNIFICANT ACCOUNTING POLICIES** (continued)

(d) Investments

Investments are reported at estimated fair value. Fair value is based on the last reported sales price if available; if not available, fair value is based on estimated fair value. Realized gains and losses and changes in unrealized gains and losses on investments recorded at fair value are included in net investment income. Investments include money market accounts, repurchase agreements, U.S. Government Agency obligations and U.S. Treasury securities.

(e) Unpaid Claims Liability

Claims expense consists of estimated amounts for claims incurred during the current year and adjustments to the estimates of prior years' claims liability. These changes are reflected in operations in the period they become known. The Fund establishes claim liabilities based on estimates of the ultimate cost of claims that have been reported, but not yet settled.

(f) Income Taxes

The Fund is exempt from federal income taxes under Sections 7701 and 115(1) of the Internal Revenue Code.

(g) Premium Income and Accounts Receivable

Premiums are recognized as income over the life of the policies as they become earned. Any adjustments to premiums are considered to be a change in estimate and are recognized in the period they become known.

The Fund considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been established. If accounts become uncollectible, they will be charged to operations when that determination is made. Collections on accounts previously written off are included in other income when received.

(h) Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions. For example, significant estimates and assumptions are used in estimating its insurance liabilities, fair values of investments and accruals. If future experience differs materially for these estimates and assumptions, the financial statements could be affected.

(i) Reclassifications

Certain items in the 2007 financial statements have been reclassified to be comparative to the 2008 presentation.

2. DEPOSITS AND INVESTMENTS

The Fund must comply with Rule Number 4 of the Commissioner of Insurance, State of Louisiana. According to Rule Number 4, all deposits in financial institutions shall be limited to institutions in Louisiana unless a higher rate can be obtained in an out-of-state institution. Deposits in financial institutions may exceed the federally insured amount in any one financial institution, as long as the amount is not in excess of the greater of $500,000 or 5% of the combination of surplus, undivided profits and reserves as currently reported by the financial institution. In regard to deposits and investments, the Fund is in compliance with these revised provisions during the years ended December 31, 2008 and 2007.

Under Rule Number 4 of the Commissioner of Insurance, State of Louisiana, the Fund may invest any surplus monies in obligations of the U.S. Government and its agencies, as well as financial institutions. Included in investments are money market accounts and repurchase agreements.

GASB Statement No. 40, *Deposits and Investment Risk Disclosures,* established and modified disclosure requirements related to investment risk. This section describes the various types of investment risk and the Funds exposure to each type.

The following table presents the estimated fair value and amortized cost of investments permissible under the rules, objectives and guidelines of the Fund as of December 31,:

	2008		2007	
Investment Type	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost
U.S. Government mortgage-backed and Agency obligations	$ 1,322,742	$ 1,251,980	$ 1,255,480	$1,230,760
Short term investments	124,558	124,558	161,110	161,110
U.S. Treasury bonds and notes	2,766,455	2,545,950	2,440,273	2,375,746
TOTAL	$ 4,213,755	$ 3,922,488	$ 3,856,863	$ 3,767,616

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Fund will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Exposure to custodial credit risk arises when securities are uninsured, or are not registered in the name of the Fund, and are held by either the counterparty or the counterparty's trust department or agent, but not in the Fund's name.

The Fund's investments in government debt obligations are uninsured on the performance of the custodian and are exposed to custodial credit risk because they are held by a counterparty. Investments in external investment pools, mutual funds, and other pooled investments are not exposed to custodial credit risk because of their natural diversification and the diversification required by the Securities and Exchange Commission.

2. **DEPOSITS AND INVESTMENTS** (continued)

Credit Risk

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Nationally recognized standardized rating systems are a good tool with which to assess credit risk on debt obligations. U.S. Government debt securities are not required to be rated. The following table is provided for use in assessing the Fund's exposure to credit risk at December 31,:

Standard and Poor's Rating	Estimated Fair Value 2008	Estimated Fair Value 2007
U.S Treasury securities	$ 2,766,455	$ 2,440,273
U.S Government securities and money market:		
Not Rated	814,024	934,187
Rated AAA	633,276	482,403
Total	$ 4,213,755	$ 3,856,863

Concentration of credit risk relates to the risk of loss attributed to the magnitude of the Fund's investment in a single issuer. The Fund has no investments in any one issuer that represented 5% or more of total investments, other than the U.S. Government.

Interest Rate Risk

Interest rate risk is defined as the risk that changes in overall market interest rates will adversely affect the fair value of an investment. The risk is applicable to debt investments with fair values that are sensitive to changes in interest rates. One indicator of the measure of interest rate risk is the dispersion of maturity dates for debt instruments. The following table shows the Fund's fixed income investments and maturities in actively-managed accounts at December 31, 2008:

		INVESTMENT MATURITIES (in years)			
INVESTMENT TYPE	Estimated Fair Value	Less than 1	1-5	5-10	Greater than 10
Money market funds	$ 124,558	$ 124,558	$ -	$ -	$ -
U.S. Government Agencies	604,471	25,395	533,432	45,644	-
U.S. Government mortgage-backed	718,271	-	91,515	440,180	186,576
U.S. Treasury bonds and notes	2,766,455	461,078	1,460,635	844,742	-
TOTAL	$ 4,213,755	$ 611,031	$ 2,085,582	$ 1,330,566	$ 186,576

LOUISIANA MUNICIPAL ASSOCIATION UNEMPLOYMENT COMPENSATION FUND

NOTES TO FINANCIAL STATEMENTS

2. **DEPOSITS AND INVESTMENTS** (continued)

Investment income for the years ended December 31, 2008 and 2007 consists of the following:

	2008	2007
Interest income	$ 170,610	$ 177,119
Net realized loss	(9,224)	(20,984)
Unrealized net gain arising during the year	201,982	135,746
	$ 363,368	$ 291,881

3. **CLAIMS EXPENSE AND UNPAID CLAIMS LIABILITY**

The following represents changes in the Fund's aggregate unpaid claims liability for the years ended December 31, 2008 and 2007:

	2008	2007
	(in thousands)	
Unpaid claims and claims adjustment expenses liability at beginning of year	$ 100	$ 100
Incurred claims and claims adjustment expenses:		
Provision for insured events of the current year	171	130
Payments:		
Claims and claims adjustment expenses attributable to insured events of current year	21	30
Claims and claim adjustment expenses attributable to insured events of prior years	100	100
Total payments	121	130
Total unpaid claims and claims adjustment expenses liability at end of year	$ 150	$ 100

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Officers and Trustees
Louisiana Municipal Association
Unemployment Compensation Fund
Baton Rouge, Louisiana

We have audited the financial statements of Louisiana Municipal Association – Unemployment Compensation Fund (the Fund), as of and for the year ended December 31, 2008, and have issued our report thereon dated June 8, 2009. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Fund's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management of the Louisiana Municipal Association – Unemployment Compensation Fund and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Postlethwaite & Netterville

Baton Rouge, Louisiana
June 8, 2009

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
WORKERS' COMPENSATION FUND

FINANCIAL STATEMENTS

DECEMBER 31, 2008

P&N

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
WORKERS' COMPENSATION FUND

FINANCIAL STATEMENTS

DECEMBER 31, 2008

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
WORKERS' COMPENSATION FUND

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INDEPENDENT AUDITORS' REPORT

Officers and Trustees
Louisiana Municipal Risk Management Agency
Workers' Compensation Fund
Baton Rouge, Louisiana

We have audited the accompanying statements of net assets of Louisiana Municipal Risk Management Agency - Workers' Compensation Fund (a quasi-public organization) (the Fund) as of December 31, 2008 and 2007, and the related statements of revenues, expenses and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and with *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Louisiana Municipal Risk Management Agency - Workers' Compensation Fund as of December 31, 2008 and 2007, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 2 through 4 and the schedule of ten-year claims development information on page 17 is not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit this information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report, dated June 8, 2009, on our consideration of the Fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audits.

Postlethwaite & Netterville

Baton Rouge, Louisiana
June 8, 2009

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

The Management's Discussion and Analysis of the Louisiana Municipal Risk Management Agency – Workers' Compensation Fund's (the Fund) financial performance presents a narrative overview and analysis of the Fund's financial activities for the years ended December 31, 2008 and 2007. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. We encourage readers to consider the information presented here in conjunction with the Fund's financial statements, which follow this section.

Financial Highlights

- The assets of the Fund exceeded its liabilities at December 31, 2008 by $28,044,077 compared to $27,835,437 as of December 31, 2007, which is a 0.75% increase over the previous year.
- At December 31, 2008, the Fund's assets totaled $42,331,365, which consisted primarily of investment securities primarily composed of direct and indirect investments in U.S. Government debt obligations and receivables. At December 31, 2007 the Fund's assets totaled $39,233,518 and were comprised of similar types of assets.
- The Fund reported gross earned premiums of $7,858,889 and $7,489,978 during the years ended December 31, 2008 and 2007, respectively, and an increase in net assets of $208,610 and $1,553,589 during the years ended December 31, 2008 and 2007, respectively.
- At the end of the current fiscal year, the Fund's net assets totaled $28,044,077 or 1.96 times the Fund's liabilities. The Funds premiums earned during 2008 were approximately 28% of its net assets at December 31, 2008.

Overview of the Financial Statements

This financial report consists of Management's Discussion and Analysis and the basic financial statements. The basic financial statements also include notes to the basic financial statements, which explain some of the information in the basic financial statements in more detail.

The basic financial statements of the Fund report information about the Fund using accounting methods similar to those used by private sector. The Statements of Net Assets include all of the Fund's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to the Fund's members and creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Fund and assessing the liquidity and financial flexibility of the Fund. All of the year's revenues and expenses are accounted for in the Statements of Revenues, Expenses and Changes in Net Assets. These statements measure the success of the Fund's operations over the year and can be used to determine whether the Fund has successfully recovered all its costs through its premiums and investment income, profitability and credit worthiness. The final required basic financial statement is the Statement of Cash Flows. The primary purpose of these statements is to provide information about the Fund's cash receipts and cash payments throughout the year. These statements report cash receipts, cash payments and net changes in cash resulting from operations, investing, and financing activities.

Overview of the Financial Statements (continued)

The preparation of these basic financial statements requires the utilization of significant estimates. Changes in estimates as well as the differences in actual results and estimated amounts will be included in the Statement of Revenues, Expenses and Changes in Net Assets as these circumstances become known.

Financial Analysis of the Fund

The Statements of Net Assets and the Statements of Revenues, Expenses and Changes in Net Assets report information in a way that the reader can determine if the Fund is in a better financial position as a result of the year's activities. These statements report the Net Assets of the Fund and changes in them. Net Assets (difference between assets and liabilities) can be used to measure financial health or financial position. Over time, increases and decreases in the Fund's Net Assets are one indicator as to whether its financial health is improving or deteriorating. There are other non-financial factors to consider, such as changes in economic conditions, healthcare costs, judicial environment, and new or changed government legislation.

Condensed Statements of Net Assets at December 31,:

	2008	2007
Total assets	$ 42,331,365	$ 39,233,518
Total liabilities	14,287,288	11,398,051
Net assets	$ 28,044,077	$ 27,835,467

All of the Fund's assets can be used for any lawful purpose consistent with the policies and guidelines established by the Board of the Fund. Total assets increased approximately 8% and consist primarily of U.S. Government investments and securities. Total liabilities increased approximately 25% mainly due to increases in unpaid claims liabilities. Net assets increased approximately 0.75% from the prior year.

Condensed Statements of Revenues and Expenses and Changes in Net Assets for the Years Ended December 31,:

	2008	2007
Operating revenues	$ 7,858,889	$ 7,489,978
Operating expenses	10,929,209	8,547,782
Operating loss	(3,070,320)	(1,057,804)
Non-operating income	3,278,930	2,611,393
Change in net assets	$ 208,610	$ 1,553,589

Financial Analysis of the Fund (continued)

Premium revenues increased $368,911 or 4.9% due primarily to annual wage rate increases with participating municipalities. During the year ended December 31, 2008, the Fund reported premium income of $7,858,889 and non-operating investment income of $3,278,930. Investment income increased in 2008 compared to 2007 largely due to favorable changes in estimated fair values of the investment portfolio. During 2008, the Fund reported total expenses of $10,929,209, which consisted primarily of claims, administrative and service agent fees and excess insurance premiums. Total expenses increased $2,381,427 or 27.8% compared to the prior year due primarily increases in both paid and incurred claims.

The Fund's increase in net assets during 2008 was $208,610 than the prior year as a result of an increase in premium revenue and investment income being offset by increases in claims expenses. See Statements of Revenues, Expenses and Changes in Net Assets on page 6 of this report.

Financial Outlook

The Fund anticipates a modest increase in membership during the next fiscal year. However, total premiums earned are not expected to increase significantly. Management emphasizes that the Fund's expenses are greatly impacted by claims losses and claims related expenses which are influenced by factors beyond management's control, including the rate of medical inflation, judicial rulings, and legislative changes.

Requests for Information

This financial report is designed to provide our members, investors, and creditors with a general overview of the Fund's finances, as well as demonstrate accountability for funds the Fund receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Louisiana Municipal Risk Management Agency – Workers' Compensation Fund, P.O. Box 4327, Baton Rouge, Louisiana 70821 or 225-344-5001.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
WORKERS' COMPENSATION FUND

STATEMENTS OF NET ASSETS
DECEMBER 31, 2008 AND 2007

ASSETS

	2008	2007
Investments (note 4)	$ 38,985,568	$ 36,132,980
Accounts receivable, net	2,711,156	2,493,883
Reinsurance receivable (note 3)	282,123	275,647
Accrued interest receivable	352,518	331,008
Total assets	$ 42,331,365	$ 39,233,518

LIABILITIES AND NET ASSETS

	2008	2007
Liabilities:		
Unpaid claims liability (note 3)	$ 10,785,000	$ 8,374,000
Unearned premiums	896,024	711,826
Due to affiliates - (note 2)	732,954	983,837
Accounts payable and accrued expenses	1,873,310	1,328,388
	14,287,288	11,398,051
Net assets	28,044,077	27,835,467
	$ 42,331,365	$ 39,233,518

The accompanying notes are an integral part of these financial statements.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
WORKERS' COMPENSATION FUND

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007
OPERATING REVENUES		
Premiums earned	$ 7,858,889	$ 7,489,978
Total operating revenues	7,858,889	7,489,978
OPERATING EXPENSES		
Claims expense (note 3)	7,534,279	5,596,881
Administrative fees (note 2)	899,268	988,169
Service agent fees (note 2)	752,449	808,502
Reinsurance premiums (note 2)	660,687	651,293
Second Injury Fund assessment	780,318	342,834
Office of Workers' Compensation assessment	232,284	87,070
Other	69,924	73,033
Total operating expenses	10,929,209	8,547,782
OPERATING LOSS	(3,070,320)	(1,057,804)
NON-OPERATING INCOME		
Investment income, net (note 4)	3,278,930	2,611,393
CHANGE IN NET ASSETS	208,610	1,553,589
NET ASSETS - BEGINNING OF YEAR	27,835,467	26,281,878
NET ASSETS - END OF YEAR	$ 28,044,077	$ 27,835,467

The accompanying notes are an integral part of these financial statements.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
WORKERS' COMPENSATION FUND

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007
Cash flows from operating activities:		
Operating loss	$ (3,070,320)	$ (1,057,804)
Adjustments to reconcile operating loss to net cash used in operations:		
Change in receivables and reinsurance receivable	(223,749)	(819,189)
Change in unpaid claims liability	2,411,000	1,248,000
Change in accounts payable, accrued expenses, unearned premiums and due to affiliates	478,237	117,402
Net cash used in operating activities	(404,832)	(511,591)
Cash flows from investing activities:		
Investment income received	1,715,421	1,827,594
Purchases of investments	(9,015,853)	(19,334,811)
Proceeds from sales and maturities of investments	7,705,264	18,018,808
Net cash provided by investing activities	404,832	511,591
Net change in cash	-	-
Cash, beginning of year	-	-
Cash, end of year	$ -	$ -

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Background and Financial Statement Presentation

Louisiana Municipal Risk Management Agency (LMRMA) was formed under Louisiana Act No. 462 of 1979 to provide a program of workers' compensation, accident and health, and public liability coverage for its member organizations. In accordance with Revised Statutes 33:1341-1350, all local government subdivisions in the state of Louisiana are eligible to participate. The LMRMA-Workers' Compensation Fund's (the Fund) general objectives are to formulate, develop, and administer, on behalf of the member local governmental subdivisions, a program of interlocal risk management, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. Local governmental subdivisions joining the Fund must be members of the Louisiana Municipal Association; a member may withdraw from the Fund by giving proper notice. Fund underwriting and rate-setting policies have been established by the Board of the Fund, after consultation with actuaries. If the assets of the Fund were to be exhausted, members would only be responsible for their respective outstanding claims. As of December 31, 2008 and 2007, there were 210 and 209 participating municipalities, respectively.

Louisiana Municipal Association (LMA) is an association for the municipalities of Louisiana and is incorporated as a nonprofit corporation under the laws of the State of Louisiana. LMA acts as the administrator for LMRMA.

Risk Management, Inc. (RMI) is a third-party service agent primarily for LMRMA insurance funds. RMI, a Louisiana Corporation, is a wholly-owned subsidiary of LMA.

Louisiana Municipal Reserve Fund Agency (LMRFA) was formed under Louisiana Revised Statutes 33:1349(e). LMRFA consists of interlocal risk management agencies pooling excess funds to provide reinsurance. Administration of LMRFA is vested in the Executive Board of LMA. LMRFA reinsures the LMRMA Workers' Compensation Fund.

The various LMRMA and LMRFA Funds, LMA and RMI are all affiliated through common membership and management control. Although all of these entities are related parties, their various net assets are available only to each individual entity for its operations. For this reason, each entity is presented as a separate "stand alone" entity in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 10 and GASB Statement No. 14.

1. **SIGNIFICANT ACCOUNTING POLICIES** (continued)

(b) Basis of Accounting

The Fund is considered an enterprise fund and, accordingly, uses the accrual method of accounting and the flow of economic resources measurement focus. Under the accrual basis of accounting, revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred. The Fund applies all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989 in accounting for its operations unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

Since the business of the Fund is essentially that of an insurance company having a business cycle greater than one year, the statements of net assets are not presented in a classified format.

(c) Investments

Investments are reported at estimated fair value except for short-term and money market investments, consisting primarily of U.S. Treasury obligations with a maturity of one year or less at time of purchase, which are reported at cost. Fair value is based on the last reported sales price if available; if not available, fair value is based on estimated fair value. Realized gains and losses and changes in unrealized gains and losses on investments recorded at fair value are included in investment income. Investments include money market accounts, repurchase agreements and U.S. Government Agency and Treasury obligations.

(d) Premium Income and Accounts Receivable

Premiums are recognized as income over the life of the policies as they become earned. Any adjustments to annual premiums are considered to be a change in estimate and are recognized in the year they become known. Acquisition costs associated with new and renewal contracts are immaterial to the financial statements and are expensed when incurred.

The Fund considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been established. If accounts become uncollectible, they will be charged to operations when that determination is made. Collections on accounts previously written off are included in other income when received.

(e) Operating / Non-Operating Revenue and Expenses

Operating revenues consist of member premiums as these revenues are generated from the Fund's operations and are needed to carry out its statutory purpose. All expenses incurred for that purpose are classified as operating expenses. Investment income and other revenues and expenses which are ancillary to the Fund's statutory purpose are classified as non-operating.

1. **SIGNIFICANT ACCOUNTING POLICIES** (continued)

(f) Unpaid Claims Liability

The Fund provides workers' compensation coverage to members for claims incurred during the policy period regardless of when the claims are reported to the Fund. The Fund establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Estimated amounts of reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claims frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflects past inflation and on other factors that are considered to be appropriate modifiers of past experience.

Adjustments to claims liabilities are charged or credited to claims expense in the periods in which they are made. The carrying amount of liabilities for claims losses and claims expense are presented at present value in the financial statements.

(g) Statements of Cash Flows

For the purposes of the statements of cash flows, cash includes cash in demand deposit accounts with banks. Because money markets and repurchase agreements are usually purchased with maturities of 90 days or more, they are classified as investments.

(h) Excess Reinsurance

The Fund uses excess reinsurance agreements to reduce its exposure to large losses on insured events. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Fund as the direct insurer of the insured risks. The Fund does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurers.

(i) Income Taxes

The Fund is exempt from federal income taxes under Sections 7701 and 115(1) of the Internal Revenue Code.

(j) Insurance Related Assessments

The Fund is subject to assessments made by the Louisiana Second Injury Fund and the Office of Workers' Compensation based on benefits paid each year. The Fund recognizes these assessments as expense when related claim benefits are incurred rather than paid. Changes in accruals for insurance related assessments are adjusted in the year assessment rate changes and claims estimates are made.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Use of Estimates

Management of the Fund has made a number of estimates and assumptions relating to the reporting of assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates and assumptions. For example, significant estimates and assumptions are used in estimating its insurance liabilities, fair values of investments and accruals. If future experience differs materially for these estimates and assumptions, the financial statements could be affected.

(l) Reclassifications

Certain items in the 2007 financial statements have been reclassified to be comparative to the 2008 presentation.

2. RELATED PARTY TRANSACTIONS

LMA, RMI and LMRFA provide services related to the self-insurance funds operated for the benefit of Louisiana municipalities. The fees for these services are based on a percentage of the earned standard premiums (ESP) for the year ended December 31, 2007. Beginning January 1, 2008, the fees are based on earned normal premiums (ENP). The respective percentages of the respective earned normal premiums and earned standard premiums are as follows:

	2008	2007
Expenses (and current fee structure):		
Administrative fees - LMA (12.25% of ENP; 11.0% of ESP)	$ 899,268	$ 988,169
Service agent fees - RMI (10.25% of ENP; 9.0% of ESP)	$ 752,449	$ 808,502
Reinsurance - LMRFA (9.00% of ENP; 7.25% of ESP)	$ 660,687	$ 651,293
Reinsurance recoveries from LMRFA	$ 1,203,217	$ 570,693
Due to affiliate:		
LMA	$ 599,268	$ 688,169
RMI	72,999	181,376
LMRFA	60,687	114,292
	$ 732,954	$ 983,837

NOTES TO FINANCIAL STATEMENTS

3. CLAIMS EXPENSE AND UNPAID CLAIMS LIABILITY

The following represents changes in the Fund's aggregate unpaid claims liabilities for the years ended December 31, 2008 and 2007:

	2008	2007
	(Amounts in thousands)	
Liability for unpaid losses at beginning of year, gross	$ 15,613	$ 13,158
Less: reinsurance recoverables	7,239	6,032
Liability for unpaid losses at beginning of year, net	8,374	7,126
Net incurred related to:		
Current year	4,359	4,411
Prior years	3,175	1,186
Total incurred	7,534	5,597
Net paid related to:		
Current year	909	1,172
Prior years	4,214	3,177
Total paid	5,123	4,349
Liability for unpaid losses at end of year, gross	23,039	15,613
Less: reinsurance recoverables	12,254	7,239
Liability for unpaid losses at end of year, net	$ 10,785	$ 8,374

In addition to the unpaid claims covered by the reinsurers, there are $282,123 and $275,647 of paid claims which are recoverable from the reinsurer at December 31, 2008 and 2007, respectively.

During 2008 and 2007, the Fund experienced overall unfavorable development on unpaid claims liabilities established in prior years. In establishing claims liability reserves, management considers facts currently known, historical claims information, industry average loss data, and the present state of laws and coverage. However, the process of establishing loss reserves is a complex and imprecise science that reflects significant judgmental factors. Management believes that the aggregate loss reserves at December 31, 2008 are adequate to cover claims for losses that have occurred. Management can give no assurance that the ultimate claims incurred through December 31, 2008 will not vary from the above estimates, and such difference could be significant.

The Fund's claims payable have been discounted for December 31, 2008 and 2007, based on the Fund's anticipated payout patterns and a discount rate assumption of 5% which management expects to approximate the interest earnings over the payout period. The effect of the reserve discounts was $1,504,000 and $1,411,000 at December 31, 2008 and 2007, respectively.

The Fund is also subject to assessments by the Louisiana Second Injury Fund and Office of Workers Compensation each year based on the amount of assessable benefits paid each year. The Fund includes in accrued expenses estimated liabilities to be paid for assessable benefits paid and estimated to be paid in future periods.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
WORKERS' COMPENSATION FUND

NOTES TO FINANCIAL STATEMENTS

4. **DEPOSITS AND INVESTMENTS**

The Fund must comply with Rule Number 4 of the Commissioner of Insurance, State of Louisiana. According to Rule Number 4, all deposits in financial institutions shall be limited to institutions in Louisiana unless a higher rate can be obtained in an out-of-state institution. Deposits in financial institutions may exceed the federally insured amount in any one financial institution, as long as the amount is not in excess of the greater of $500,000 or 5% of the combination of surplus, undivided profits and reserves as currently reported by the financial institution. In regard to deposits and investments, the Fund was in compliance with these revised provisions during the years ended December 31, 2008 and 2007.

Under Rule Number 4 of the Commissioner of Insurance, State of Louisiana, the Fund may invest any surplus monies in obligations of the U.S. Government and its agencies, as well as financial institutions. Included in investments are money market accounts and repurchase agreements. The Fund's policy is to wire-transfer cash as needed from investments to support disbursements. Consequently, a zero cash balance is maintained.

Statement Number 40 of the Governmental Accounting Standards Board (GASB Statement No. 40), *Deposits and Investment Risk Disclosures* established and modified disclosure requirements related to investment risk. This section describes the various types of investment risk and the Funds exposure to each type.

The following table presents the estimated fair value and amortized cost of investments permissible under the rules, objectives and guidelines of the Fund as of December 31, 2008 and 2007:

	2008		2007	
Investment Type	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost
U.S. Treasury bonds and notes	$ 19,578,251	$ 17,863,622	$ 17,357,986	$ 16,882,177
U.S. Government mortgage backed and Agency obligations	15,584,282	14,881,134	15,950,338	15,765,433
Money market funds	3,823,035	3,823,035	2,824,656	2,824,656
TOTAL	$ 38,985,568	$ 36,567,791	$ 36,132,980	$ 35,472,266

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Fund will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Exposure to custodial credit risk arises when securities are uninsured, or are not registered in the name of the Fund, and are held by either the counterparty or the counterparty's trust department or agent, but not in the Fund's name.

The Fund's investments in government debt obligations are uninsured on the performance of the custodian and are exposed to custodial credit risk because they are held by a counterparty. Investments in external investment pools, mutual funds, and other pooled investments are not exposed to custodial credit risk because of their natural diversification and the diversification required by the Securities and Exchange Commission.

4. **DEPOSITS AND INVESTMENTS** *(continued)*

Credit Risk

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Nationally recognized standardized rating systems are a tool with which to assess credit risk on debt obligations. U.S. Government debt securities are not required to be rated.

The following table is provided for use in assessing the Funds exposure to credit risk as of December 31, 2008 and 2007:

Standard and Poor's Rating	Estimated Fair Value 2008	Estimated Fair Value 2007
Money market funds	$ 3,823,035	$ 2,824,656
U.S. Government securities and U.S. Treasury securities –		
Not rated	11,080,053	10,587,038
Rated AAA	24,082,480	22,721,286
Total	$ 38,985,568	$ 36,132,980

Concentration of credit risk relates to the risk of loss attributed to the magnitude of the Fund's investment in a single issuer. The Fund has no investments in any one issuer that represented 5% or more of total investments, other than the U.S. Government.

4. DEPOSITS AND INVESTMENTS (continued)

Interest Rate Risk

Interest rate risk is defined as the risk that changes in overall market interest rates will adversely affect the fair value of an investment. The risk is applicable to debt investments with fair values that are sensitive to changes in interest rates. One indicator of the measure of interest rate risk is the dispersion of maturity dates for debt instruments. The following table shows the Fund's fixed income investments and maturities in actively-managed accounts at December 31, 2008:

		INVESTMENT MATURITIES (in years)			
INVESTMENT TYPE	Estimated Fair Value	Less than 1	1-5	5-10	Greater than 10
Money market funds	$ 3,823,035	$ 3,823,035	$ -	$ -	$ -
U.S. Government mortgage backed	11,396,904	44	1,269,225	7,104,571	3,023,064
U.S. Government Agencies	4,187,378	181,631	4,005,747	-	-
U.S. Treasury bonds and notes	19,578,251	1,763,055	11,014,786	6,800,410	-
TOTAL	$ 38,985,568	$ 5,767,765	$ 16,289,758	$ 13,904,981	$ 3,023,064

Mortgage-backed securities are included in the above table based upon their contractual terms. These types of securities typically experience repayments over a shorter term.

Investment income for the years ended December 31, 2008 and 2007 consists of the following:

	2008	2007
Interest income	$ 1,570,389	$ 1,721,108
Realized losses, net	(48,523)	(254,885)
Unrealized gains arising during the year	1,757,064	1,145,170
	$ 3,278,930	$ 2,611,393

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
WORKERS' COMPENSATION FUND

NOTES TO FINANCIAL STATEMENTS

5. REINSURANCE POLICY COVERAGE

During the years ended December 31, 2008 and 2007, LMRFA provided excess reinsurance to the Fund with the following limits:

Item I:	\$2,000,000 annual aggregate in excess of 80% of earned normal premium
Item II:	\$2,000,000 each and every loss in excess of \$175,000 each and every loss

The Fund and LMRFA represent a cooperative program for group funding and risk management of public liability, workers' compensation and accident and health claims of participating Louisiana municipalities. Although premiums billed to the participants are determined on an actuarial basis, ultimate liability for claim obligations remains with the participants.

The following are condensed Statements of Net Assets for LMRFA at December 31, 2008 and 2007.

	2008	2007
Assets	\$ 42,982,006	\$ 41,849,955
Liabilities	29,933,750	20,058,528
Net assets	\$ 13,048,256	\$ 21,791,427

SUPPLEMENTAL INFORMATION

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
WORKERS' COMPENSATION FUND

SCHEDULE OF TEN-YEAR CLAIMS DEVELOPMENT INFORMATION
CLAIMS EXPENSE AND RE-ESTIMATED CLAIM ADJUSTMENT EXPENSE

DECEMBER 31, 2008

The table below illustrates the Fund's earned normal premium and investment income compared to related costs and claims expense incurred by the Fund as of the end of 2008 and as of the end of each of the last nine years.

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
					(in thousands)					
ENP and investment income	$ 11,138	$ 10,101	$ 8,429	$ 7,160	$ 6,059	$ 5,590	$ 6,811	$ 5,566	$ 5,801	$ 4,369
Operating costs, unallocated	3,395	2,951	2,473	1,987	1,963	2,347	1,693	1,452	1,445	1,502
Estimated incurred claims and expense, end of policy year	4,824	4,712	3,577	3,898	4,032	3,589	2,146	1,700	2,184	1,473
Paid (cumulative) as of:										
End of policy year	909	1,172	953	964	1,051	1,076	643	499	716	463
One year later	-	2,758	2,186	2,061	2,240	2,074	1,533	1,093	1,475	1,074
Two years later	-	-	2,992	2,696	2,685	2,502	2,195	1,358	1,965	1,424
Three years later	-	-	-	3,290	3,188	2,845	2,731	1,480	2,089	1,499
Four years later	-	-	-	-	3,731	2,909	2,881	1,530	2,281	1,625
Five years later	-	-	-	-	-	3,167	3,171	1,638	2,366	1,831
Six years later	-	-	-	-	-	-	3,450	1,689	2,441	1,911
Seven years later	-	-	-	-	-	-	-	1,774	2,612	1,942
Eight years later	-	-	-	-	-	-	-	-	3,023	2,045
Nine years later	-	-	-	-	-	-	-	-	-	2,123
Re-estimated incurred claims and claims expense:										
End of policy year	4,824	4,712	3,577	3,898	4,032	3,589	2,146	1,700	2,184	1,473
One year later	-	5,334	3,967	3,746	4,266	3,781	2,554	1,760	2,821	1,638
Two years later	-	-	4,305	3,934	3,994	3,556	3,049	1,874	2,606	1,792
Three years later	-	-	-	4,487	4,130	3,690	3,310	1,933	2,600	1,884
Four years later	-	-	-	-	5,058	3,565	3,348	1,876	2,746	1,956
Five years later	-	-	-	-	-	3,811	3,481	1,871	2,668	2,095
Six years later	-	-	-	-	-	-	3,896	1,892	2,659	2,104
Seven years later	-	-	-	-	-	-	-	2,000	3,047	2,116
Eight years later	-	-	-	-	-	-	-	-	3,174	1,948
Nine years later	-	-	-	-	-	-	-	-	-	2,067
Increase (decrease) in estimated incurred claims and expense from end of policy year	-	622	728	589	1,026	222	1,750	300	990	594

See accompanying independent auditors' report.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Officers and Trustees
Louisiana Municipal Risk Management Agency
Workers' Compensation Fund

We have audited the financial statements of Louisiana Municipal Risk Management Agency – Workers' Compensation Fund (the Fund), as of and for the year ended December 31, 2008, and have issued our report thereon dated June 8, 2009. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Fund's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the following paragraphs to be significant deficiencies in internal control over financial reporting.

Financial Reporting Process
Management typically reports the Funds' interim financial activity essentially on a cash basis. The annual audited financial statements include significant adjustments to report the Funds' financial statements on an accrual basis in accordance with U.S. generally accepted accounting principles. Pursuant to the year end and audit processes, significant adjustments are required to convert the financial statements from the cash method of accounting to the accrual method of accounting.

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The nature of insurance programs involves significant risks and uncertainties that should be reported and monitored more often than annually. Management does monitor various measures not included in the financial statements but reports financial activities and financial position of the Fund on a cash basis which is not intended to capture important information inherent in accrual basis financial.

Management should implement additional financial reporting procedures to provide interim reporting on an accrual basis of accounting as opposed to essentially a cash basis of accounting. This can be accomplished by expanding financial processes related to premium recognition as well as developing processes for estimating and recording interim claims loss reserves and related expenses. We believe these changes will provide management and the Board with more timely and meaningful financial information to monitor the Fund's financial performance and position.

Loss Reserve Setting and Development
The Fund's administrator recently implemented new claims administration systems to more efficiently administer and adjudicate the Fund's insurance program. However, as is often the case when system conversions, it became apparent that several sources of data key to estimating and development of reasonable and reliable loss reserve liabilities were inconsistent and required extensive analysis. These factors contributed to less reliability and more variability in the overall loss reserve estimation process.

The Fund's loss data should be continually evaluated to better insure sufficient and reliable information is available to estimate loss reserves with reasonable accuracy and consistency. Sufficient industry data and Fund specific information should also be regularly evaluated to assist in the development of fair and reasonable loss reserves and premium rates to diversify the risks among for the Fund's membership.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the management of the Louisiana Municipal Risk Management Agency – Workers' Compensation Fund and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Postlethwaite & Netterville

Baton Rouge, Louisiana
June 8, 2009

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LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
Workers Compensation Fund - - Liability Fund - - Health and Accident Fund

700 North 10th Street, Post Office Box 4327, Baton Rouge, Louisiana 70821

June 25, 2009

Stephen J. Theriot
Legislative Auditor
P.O. Box 94397
Baton Rouge, Louisiana 70804-9397

Dear Sir,

In the Financial Statements for the Louisiana Municipal Risk Management Agency Workers' Compensation Fund, Public Liability Fund, and Reserve Fund, for the year ended December 31 2008, our auditors Postlethwaite & Netterville, noted a significant deficiency in internal control over our financial reporting in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. The deficiencies were described as follows:

> *Financial Reporting Process* – The annual audited financial statements include significant adjustments to report the Funds' financial statements on an accrual basis in accordance with U.S. generally accepted accounting principals. Management should implement additional financial reporting procedures to provide interim reporting on an accrual basis of accounting as opposed to essentially a cash basis of accounting. This can be accomplished by expanding financial processes related to premium recognition as well as developing processes for estimating and recording interim loss reserves and related expenses.
>
> Loss Reserve Setting and Development – The Fund's loss data should be continually evaluated to better insure sufficient and reliable information is available to estimate loss reserves with reasonable accuracy and consistency. Sufficient industry data and Fund specific information should also be regularly evaluated to assist in the development of fair and reasonable loss reserves and premium rates to diversify the risks among the Fund's membership.

When the audit results were presented to the Board of Directors at the June 10, 2009, meeting, this deficiency was noted. The deficiency does not result from any changes in the organization's financial controls or from any difference in our relationship with our auditors compared with past years.

The deficiencies as noted will be eliminated by having the Chief Financial Officer of the Louisiana Municipal Association make the adjustments to the accounts receivable and unearned premium accounts to properly reflect the accrual basis of the receivables/unearned premiums as well as related revenue. New procedures will be implemented for estimating and recording claims loss reserves and related expenses. New billing software has been implemented to allow the Chief Financial Officer to make these adjustments on a quarterly basis. Reinsurance receivables will also be adjusted by the Chief Financial Officer. The Fund's loss data will be continually evaluated to better insure sufficient and reliable information is available to estimate loss reserves with reasonable accuracy and consistency.

Very truly yours,

Tom Ed

Tom Ed McHugh
Executive Director
Louisiana Municipal Association

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
PUBLIC LIABILITY FUND

FINANCIAL STATEMENTS

DECEMBER 31, 2008

P&N

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
PUBLIC LIABILITY FUND

FINANCIAL STATEMENTS

DECEMBER 31, 2008

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
PUBLIC LIABILITY FUND

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INDEPENDENT AUDITORS' REPORT

Officers and Trustees
Louisiana Municipal Risk Management Agency
Public Liability Fund
Baton Rouge, Louisiana

We have audited the accompanying statements of net assets of Louisiana Municipal Risk Management Agency – Public Liability Fund (a quasi-public organization) (the Fund) as of December 31, 2008 and 2007, and the related statements of revenues, expenses and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and with *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Louisiana Municipal Risk Management Agency - Public Liability Fund as of December 31, 2008 and 2007, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 2 through 4 and the schedule ten-year claims development information on page 16, are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit this information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report, dated June 8, 2009, on our consideration of the Fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audits.

Postlethwaite & Netterville

Baton Rouge, Louisiana
June 8, 2009

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LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY - PUBLIC LIABILITY FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

The Management's Discussion and Analysis of the Louisiana Municipal Risk Management Agency – Public Liability Fund's (the Fund) financial performance presents a narrative overview and analysis of the Fund's financial activities for the years ended December 31, 2008 and 2007. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. We encourage readers to consider the information presented here in conjunction with the Fund's financial statements, which follow this section.

Financial Highlights

- The assets of the Fund exceeded its liabilities at December 31, 2008 by $4,539,201 compared to $3,895,528 as of December 31, 2007, which is a 17% increase.
- At December 31, 2008, the Fund's assets totaled $19,687,601, which consisted primarily of investment securities primarily composed of direct and indirect investments in U.S. Government debt obligations and accounts receivable. At December 31, 2007, the Fund's assets totaled $16,165,111 and were comprised of similar types of assets.
- The Fund reported earned premiums of $11,177,393 and $10,432,659 during the years ended December 31, 2008 and 2007, respectively.
- Net assets increased by $643,673 during the year ended December 31, 2008 compared to an increase of $2,879,262 during 2007.
- At the end of the current fiscal year, the Fund's net assets totaled $6,147,201 or 62% of current year expenses.

Overview of the Financial Statements

This financial report consists of Management's Discussion and Analysis and the basic financial statements. The basic financial statements also include notes to the financial statements, which explain some of the information in the financial statements in more detail.

The basic financial statements of the Fund report information about the Fund using accounting methods similar to those used by private sector. The Statements of Net Assets include all of the Fund's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to the Fund's members and creditors (liabilities). These statements also provide the basis for computing rate of return, evaluating the capital structure of the Fund and assessing the liquidity and financial flexibility of the Fund. All of the year's revenues and expenses are accounted for in the Statements of Revenues, Expenses and Changes in Net Assets. These statements measure the success of the Fund's operations over the year and can be used to determine whether the Fund has successfully recovered all of its costs through its premium and investment income, profitability and credit worthiness. The final required financial statements are the Statements of Cash Flows. The primary purpose of these statements is to provide information about the Fund's cash receipts and cash payments throughout the year. These statements report cash receipts, cash payments and net changes in cash resulting from operations, investing, and financing activities.

Overview of the Financial Statements (continued)

The preparation of these financial statements requires the utilization of significant estimates. Changes in estimates, as well as the differences in actual results and estimated amounts, will be included in the Statements of Revenues, Expenses and Changes in Net Assets as these circumstances become known.

Financial Analysis of the Fund

The Statements of Net Assets and the Statements of Revenues, Expenses and Changes in Net Assets report information in a way that the reader can determine if the Fund is in a better financial position as a result of the year's activities. These statements report the Net Assets of the Fund and changes in them. The net assets (difference between assets and liabilities) can be used to measure financial health or financial position. Over time, increases and decreases in the Fund's net assets are one indicator as to whether its financial health is improving or deteriorating. There are other non-financial factors to consider, such as changes in economic conditions, healthcare costs, judicial environment, and new or changed government legislation.

Condensed Statements of Net Assets at December 31,:

	2008	2007
Total assets	$ 19,687,601	$ 16,165,111
Total liabilities	15,148,400	12,269,583
Net assets	$ 4,539,201	$ 3,895,528

All of the Fund's assets can be used for any lawful purpose consistent with the policies and guidelines established by the Board of the Fund. Total assets increased approximately 21% and consist primarily of investments in U.S. Government and Agency debt securities. Total liabilities increased approximately 23% due to a increase in unpaid claims liabilities resulting from increases in paid and incurred losses for the year ended December 31, 2008.

Condensed Statements of Revenues and Expenses and Changes in Net Assets for the Years Ended December 31,:

	2008	2007
Operating revenues	$ 11,177,393	$ 10,432,659
Operating expenses	11,480,979	8,395,917
Operating income (loss)	(303,586)	2,036,742
Non-operating income	947,259	842,520
Change in net assets	$ 643,673	$ 2,879,262

Financial Analysis of the Fund (continued)

During the year ended December 31, 2008, the Fund reported premium income of $11,177,393 and investment income of $947,259. Premiums increased during 2008 due to growth in participating municipalities as well as annual increases. The Fund reported total expenses of $11,480,979 which consisted primarily of claims, reinsurance premiums, administrative and service agent fees. Claims expense increased in the current year primarily as a result of higher losses as it relates to both paid and incurred claims. The Fund experienced a net increase in net assets of $643,673 for the current year. See Statements of Revenues, Expenses and Changes in Net Assets on page 6 of this report.

Requests for Information

This financial report is designed to provide members, investors, and creditors with a general overview of the Fund's finances, as well as demonstrate accountability for funds the Fund receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Louisiana Municipal Risk Management Agency – Public Liability Fund, P.O. Box 4327, Baton Rouge, Louisiana 70821 or 225-344-5001.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
PUBLIC LIABILITY FUND

STATEMENTS OF NET ASSETS
DECEMBER 31, 2008 AND 2007

ASSETS

	2008	2007
Investments (note 4)	$ 17,047,908	$ 13,962,334
Accounts receivable, net	1,835,701	1,375,670
Reinsurance receivable (note 3)	413,703	435,731
Deductibles receivable	284,431	282,120
Accrued interest receivable	105,858	109,256
Total assets	$ 19,687,601	$ 16,165,111

LIABILITIES AND NET ASSETS

	2008	2007
Liabilities:		
Unpaid claims liability (note 3)	$ 12,382,000	$ 9,816,000
Unearned premiums	2,373,330	2,261,641
Due to affiliates - net (note 2)	390,139	189,288
Accrued expenses	2,931	2,654
Total liabilities	15,148,400	12,269,583
Net assets	4,539,201	3,895,528
	$ 19,687,601	$ 16,165,111

The accompanying notes are an integral part of these financial statements.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
PUBLIC LIABILITY FUND

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007
OPERATING REVENUES		
Premiums earned	$ 11,177,393	$ 10,432,659
Total operating revenues	11,177,393	10,432,659
OPERATING EXPENSES		
Claims expense (note 3)	8,447,462	5,207,259
Reinsurance premiums (note 2)	1,620,335	1,722,617
Administrative fees (note 2)	677,155	717,757
Service agent fees (note 2)	701,339	717,758
Miscellaneous	34,688	30,526
Total operating expenses	11,480,979	8,395,917
OPERATING INCOME (LOSS)	(303,586)	2,036,742
NON-OPERATING INCOME		
Investment income, net (note 4)	947,259	842,520
CHANGE IN NET ASSETS	643,673	2,879,262
NET ASSETS - BEGINNING OF YEAR	3,895,528	1,016,266
NET ASSETS - END OF YEAR	$ 4,539,201	$ 3,895,528

The accompanying notes are an integral part of these financial statements.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
PUBLIC LIABILITY FUND

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007
Cash flows from operating activities:		
Operating income (loss)	$ (303,586)	$ 2,036,742
Adjustments to reconcile operating income to net cash provided by operations:		
Change in receivables	(463,364)	(195,730)
Change in unpaid claims liability	2,566,000	(429,000)
Change in accrued expenses, unearned premiums and due to affiliates	335,867	64,817
Net cash provided by operating activities	2,134,917	1,476,829
Cash flows from investing activities:		
Purchases of investments	(6,430,656)	(4,540,128)
Proceeds from sales and maturities of investments	3,738,340	2,426,297
Investment income received	557,399	637,002
Net cash used in investing activities	(2,134,917)	(1,476,829)
Net change in cash	-	-
Cash, beginning of year	-	-
Cash, end of year	$ -	$ -

The accompanying notes are an integral part of these financial statements.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
PUBLIC LIABILITY FUND

NOTES TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Background and Financial Statement Presentation

Louisiana Municipal Risk Management Agency (LMRMA) was formed under Louisiana Act No. 462 of 1979 to provide a program of workers' compensation, accident and health, and public liability coverage for its member organizations. In accordance with Revised Statutes 33:1341-1350, all local government subdivisions in the State of Louisiana are eligible to participate. The LMRMA Public Liability Fund's (the Fund) general objectives are to formulate, develop, and administer, on behalf of the member local governmental subdivisions, a program of interlocal risk management, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. Local governmental subdivisions joining the Fund must be members of the Louisiana Municipal Association; a member may withdraw from the Fund by giving proper notice. Fund underwriting and rate-setting policies have been established by the Board of the Fund after consultation with actuaries. If the assets of the Fund were to be exhausted, members would only be responsible for their respective outstanding claims. As of December 31, 2008 and 2007, there were 251 and 250 participating municipalities, respectively.

Louisiana Municipal Association (LMA) is an association for the municipalities of Louisiana and is incorporated as a nonprofit corporation under the laws of the State of Louisiana. LMA acts as the administrator for the Fund.

Risk Management, Inc. (RMI) is a third-party service agent primarily for LMRMA insurance funds. RMI, a Louisiana Corporation, is a wholly-owned subsidiary of LMA.

Louisiana Municipal Reserve Fund Agency (LMRFA) was formed under Louisiana Revised Statutes 33:1349(e). LMRFA consists of interlocal risk management agencies pooling excess funds to provide reinsurance. Administration of the LMRFA is vested in the Executive Board of LMA. LMRFA reinsures the LMRMA Public Liability Fund.

The various LMRMA and LMRFA Funds, LMA and RMI are all affiliated through common membership and management control. Although all of these entities are related parties, their various net assets are available only to each individual entity for its operations. For this reason, each entity is presented as a separate "stand alone" entity in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 10 and GASB Statement No. 14.

(b) Basis of Accounting

The Fund is considered an enterprise fund and, accordingly, uses the accrual method of accounting and the flow of economic resources measurement focus. Under the accrual basis of accounting, revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred. The Fund applies all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989 in accounting for its operations unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

Since the business of the Fund is essentially that of an insurance company having a business cycle greater than one year, the statements of net assets are not presented in a classified format.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Investments

Investments are reported at estimated fair value except for short-term and money market investments, consisting primarily of U.S. Treasury obligations with a maturity of one year or less at time of purchase, which are reported at cost. Fair value is based on the last reported sales price if available; if not available, fair value is based on estimated fair value. Realized gains and losses and changes in unrealized gains and losses on investments recorded at fair value are included in investment income. Investments include money market accounts, repurchase agreements, U.S. Government Agency obligations and U.S. Treasury securities and are held for long-term purposes.

(d) Premium Income and Receivables

Premiums are recognized as income over the life of the policies as they become earned. Any adjustments to annual premiums are considered to be a change in estimate and are recognized in the year they become known. Acquisition costs associated with new and renewal contracts are immaterial to the financial statements and are expensed when incurred.

The Fund considers accounts receivable, reinsurance receivable, and deductibles receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been established. If accounts or deductibles become uncollectible, they will be charged to operations when that determination is made. Collections on accounts previously written off are included in other income when received.

(e) Operating / Non-Operating Revenue and Expenses

Operating revenues consist of member premiums as these revenues are generated from the Fund's operations and are needed to carry out its statutory purpose. All expenses incurred for that purpose are classified as operating expenses. Investment income and other revenues and expenses which are ancillary to the Fund's statutory purpose are classified as non-operating.

1. **SIGNIFICANT ACCOUNTING POLICIES** (continued)

(f) *Unpaid Claims Liability*

The Fund provides liability coverage to members for claims incurred during the benefit period regardless of when the claims are reported to the Fund. The Fund establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Estimated amounts of reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount, particularly for coverages such as public liability. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claims frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflects past inflation and on other factors that are considered to be appropriate modifiers of past experience.

Adjustments to claims liabilities are charged or credited to claims expense in the periods in which they are made. The carrying amount of liabilities for claims losses and claims expense are presented at present value in the financial statements.

(g) Statements of Cash Flows

For the purposes of the statements of cash flows, cash includes cash in demand deposit accounts with banks. Because certificates of deposit, money markets and repurchase agreements are usually purchased with maturities of 90 days or more, they are classified as investments.

(h) Excess Reinsurance

The Fund uses excess reinsurance to reduce its exposure to large losses on insured events. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Fund as direct insurer of the insured risks. The Fund does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurers.

(i) Income Taxes

The Fund is exempt from federal income taxes under Sections 7701 and 115(1) of the Internal Revenue Code.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
PUBLIC LIABILITY FUND

NOTES TO FINANCIAL STATEMENTS

1. **SIGNIFICANT ACCOUNTING POLICIES** (continued)

(j) Use of Estimates

Management of the Fund has made a number of estimates and assumptions relating to the reporting of assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates and assumptions. For example, significant estimates and assumptions are used in estimating its insurance liabilities, fair values of investments and accruals. If future experience differs materially for these estimates and assumptions, the financial statements could be affected.

(k) Reclassifications

Certain items in the 2007 financial statements have been reclassified to be comparative to the 2008 presentation.

2. **RELATED PARTY TRANSACTIONS**

LMA, RMI and LMRFA provide services related to the self-insurance funds operated for the benefit of Louisiana municipalities. The fees for these services are based on a percentage of the earned standard premiums (ESP) for the year ended December 31, 2007. Beginning January 1, 2008, the fees are based on earned normal premiums (ENP). The respective percentages of the respective earned normal premiums and earned standard premiums are as follows:

	2008	2007
Expenses (and current fee structure):		
Administrative fee – LMA		
(7.25% of ENP; 6.25% of ESP)	$ 677,155	$ 717,757
Service agent - RMI		
(7.00% of ENP; 6.25% of ESP)	$ 701,339	$ 717,758
Reinsurance - LMRFA		
(16.75% of ENP; 15.00% of ESP)	$ 1,620,335	$ 1,722,617
Reinsurance recoveries from LMRFA	$ 3,776,211	$ 4,050,656
Due to (from) affiliates:		
LMA	$ 437,156	$ 477,754
RMI	(59,666)	(125,381)
LMRFA	12,649	(163,085)
	$ 390,139	$ 189,288

3. CLAIMS EXPENSE AND UNPAID CLAIMS LIABILITY

The following represents changes in the Fund's aggregate unpaid claims liabilities for the years ended December 31, 2008 and 2007:

	2008	2007
	(Amounts in thousands)	
Liability for unpaid losses at beginning of year, gross	$ 22,455	$ 24,016
Less: reinsurance recoverables	12,639	13,771
Liability for unpaid losses at beginning of year, net	9,816	10,245
Net incurred related to:		
Current year	5,969	4,527
Prior years	2,478	680
Total incurred	8,447	5,207
Net paid related to:		
Current year	954	928
Prior years	4,927	4,708
Total paid	5,881	5,636
Liability for unpaid losses at end of year, gross	29,298	22,455
Less: reinsurance recoverables	16,916	12,639
Liability for unpaid losses at end of year, net	$ 12,382	$ 9,816

In addition to the unpaid claims covered by the Fund's reinsurer (LMRFA), there are $413,703 and $435,731 of paid claims which are recoverable from the reinsurer at December 31, 2008 and 2007, respectively.

During 2008 and 2007, the Fund experienced overall unfavorable development on unpaid claims liabilities established in prior years related primarily to certain adverse judicial proceedings as well as an overall increase in incurred claims. In establishing claims liability reserves, management considers facts currently known, historical claims information, industry average loss data, and the present state of laws and coverage. However, the process of establishing loss reserves is a complex and imprecise science that reflects significant judgmental factors. Management believes that the aggregate loss reserves at December 31, 2008 are adequate to cover claims for losses that have occurred. Management can give no assurance that the ultimate claims incurred through December 31, 2008 will not vary from the above estimates, and such difference could be significant.

The Fund's claims payable have been discounted for December 31, 2008 and 2007, based on the Fund's anticipated payout patterns and a discount rate assumption of 5.0% which management expects to approximate the interest earnings over the payout period. The effect of the reserve discounts was $926,000 and $1,016,000 at December 31, 2008 and 2007, respectively.

4. DEPOSITS AND INVESTMENTS

The Fund must comply with Rule Number 4 of the Commissioner of Insurance, State of Louisiana. According to Rule Number 4, all deposits in financial institutions shall be limited to institutions in Louisiana unless a higher rate can be obtained in an out-of-state institution. Deposits in financial institutions may exceed the federally insured amount in any one financial institution, as long as the amount is not in excess of the greater of $500,000 or 5% of the combination of surplus, undivided profits and reserves as currently reported by the financial institution in question. In regard to deposits and investments, the Fund was in compliance with these revised provisions as of and during the years ended December 31, 2008 and 2007.

Under Rule Number 4 of the Commissioner of Insurance, State of Louisiana, the Fund may invest any surplus monies in obligations of the U.S. Government and its agencies, as well as financial institutions. Included in investments are money market accounts and repurchase agreements. The Fund policy is to wire-transfer cash as needed from investments to support disbursements. Consequently, a zero cash balance is maintained.

Statement Number 40 of the Governmental Accounting Standards Board (GASB Statement No. 40), *Deposits and Investment Risk Disclosures* established and modified disclosure requirements related to investment risk. This section describes the various types of investment risk and the Fund's exposure to each type.

The following table presents the estimated fair value and amortized cost of investments permissible under the rules, objectives and guidelines of the Fund as of December 31, 2008 and 2007:

	2008		2007	
Investment Type	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost
U.S. Government mortgage-backed and Agency debt obligations	$ 9,564,295	$ 8,988,853	$ 8,853,345	$ 8,665,849
Short term investments	7,483,613	7,483,613	5,108,989	5,108,989
TOTAL	$ 17,047,908	$ 16,472,466	$ 13,962,334	$13,774,838

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Fund will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Exposure to custodial credit risk arises when securities are uninsured, or are not registered in the name of the Fund, and are held by either the counterparty or the counterparty's trust department or agent, but not in the Fund's name.

The Fund's investments in government debt obligations are uninsured on the performance of the custodian and are exposed to custodial credit risk because they are held by counterparty. Investments in external investment pools, mutual funds, and other pooled investments are not exposed to custodial credit risk because of their natural diversification and the diversification required by the Securities and Exchange Commission.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
PUBLIC LIABILITY FUND

NOTES TO FINANCIAL STATEMENTS

4. **DEPOSITS AND INVESTMENTS** (continued)

Credit Risk

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Nationally recognized standardized rating systems are a tool with which to assess credit risk on debt obligations. U.S. Government debt securities are not required to be rated. The following table is provided for use in assessing the Fund's exposure to credit risk as of December 31, 2008 and 2007.

Standard and Poor's Rating	Estimated Fair Value 2008	Estimated Fair Value 2007
U.S. Government securities and money market -		
Not rated	$ 11,268,466	$ 8,624,410
Rated AAA	5,779,442	5,337,924
Total	$ 17,047,908	$ 13,962,334

Concentration of credit risk relates to the risk of loss attributed to the magnitude of the Fund's investment in a single issuer. The Fund has no investments in any one issuer that represented 5% or more of total investments, other than the U.S. Government.

Interest Rate Risk

Interest rate risk is defined as the risk that changes in overall market interest rates will adversely affect the fair value of an investment. The risk is applicable to debt investments with fair values that are sensitive to changes in interest rates. One indicator of the measure of interest rate risk is the dispersion of maturity dates for debt instruments. The following table shows the Fund's fixed income investments and maturities in actively-managed accounts at December 31, 2008:

	INVESTMENT MATURITIES (in years)				
Investment Type	Estimated Fair Value	Less than 1	1-5	5-10	Greater than 10
Short term investments	$ 7,483,613	$ 7,483,613	$ -	$ -	$ -
U.S. Government mortgage backed and Agency debt obligations	9,564,295	207	2,683,257	3,952,661	2,928,170
	$ 17,047,908	$ 7,483,820	$ 2,683,257	$ 3,952,661	$ 2,928,170

NOTES TO FINANCIAL STATEMENTS

4. DEPOSITS AND INVESTMENTS (continued)

Net investment income for the years ended December 31, 2008 and 2007 consists of the following:

	2008	2007
Interest income	$ 544,955	$ 610,052
Realized gains (losses) – net	14,358	(39,989)
Unrealized gains arising during the year - net	387,946	272,457
	$ 947,259	$ 842,520

5. REINSURANCE POLICY COVERAGE

During the years ended December 31, 2008 and 2007, LMRFA provided reinsurance to LMRMA Public Liability Fund with the following limits:

Item I: $5,000,000 annual aggregate in excess of 65% of earned normal premium
Item II: Each and every loss in excess of $100,000 each and every loss

The Fund and LMRFA represent a cooperative program for group funding and risk management of public liability claims of participating Louisiana municipalities. Although premiums billed to the participants are determined on an actuarial basis, ultimate liability for claims remains with the participants.

Prior to 1993, Louisiana law limited the liability of the municipalities to $500,000 per occurrence. During 1993, the Louisiana Supreme Court revoked this limit. The above "specific reinsurance limits" for the Public Liability Fund cover claims up to $500,000. As of November 1, 1995, the statutory liability increased to $750,000 from $500,000. The Fund's coverage remains unchanged.

The following are condensed Statements of Net Assets for LMRFA at December 31:

	2008	2007
Assets	$ 42,982,006	$ 41,849,955
Liabilities	29,933,750	20,058,528
Net Assets	$ 13,048,256	$ 21,791,427

SUPPLEMENTAL INFORMATION

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
PUBLIC LIABILITY FUND

SCHEDULE OF TEN-YEAR CLAIMS DEVELOPMENT INFORMATION
CLAIMS EXPENSE AND RE-ESTIMATED CLAIM ADJUSTMENT EXPENSE

DECEMBER 31, 2008

The table below illustrates the Fund's earned normal premium and investment income compared to related costs and claims expense (net of loss assumed by reinsurers) incurred by the Fund as of the end of 2008 and as of the end of each of the last nine years.

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
					(in thousands)					
ENP and investment income	$ 12,125	$ 11,275	$ 9,491	$ 9,067	$ 8,992	$ 8,147	$ 7,236	$ 6,547	$ 6,724	$ 5,923
Operating costs unallocated	3,034	3,189	3,081	3,937	3,907	3,791	3,253	2,853	2,766	2,348
Estimated incurred claims and claims expense, end of policy year	5,307	4,959	4,833	4,902	6,876	4,542	4,686	3,753	2,999	2,988
Paid (cumulative) as of:										
End of policy year	954	928	478	789	930	697	693	578	499	460
One year later	-	2,323	1,253	1,941	2,241	1,826	1,496	1,358	1,079	1,341
Two years later	-	-	2,111	3,534	3,831	2,889	2,940	2,450	1,804	2,574
Three years later	-	-	-	4,361	4,735	3,838	3,549	2,827	2,357	3,189
Four years later	-	-	-	-	5,544	4,271	4,000	3,085	2,745	3,602
Five years later	-	-	-	-	-	4,480	4,265	3,292	2,872	3,749
Six years later	-	-	-	-	-	-	4,433	3,416	2,657	3,803
Seven years later	-	-	-	-	-	-	-	3,518	2,671	3,840
Eight years later	-	-	-	-	-	-	-	-	2,706	3,890
Nine years later	-	-	-	-	-	-	-	-	-	3,954
Re-estimated incurred claims and claims expense:										
End of policy year	5,307	4,959	4,833	4,902	6,876	4,542	4,686	3,753	2,999	2,988
One year later	-	5,706	4,272	5,300	6,144	5,151	4,245	3,812	3,225	3,633
Two years later	-	-	4,023	5,338	6,069	4,697	4,613	3,854	3,062	3,917
Three years later	-	-	-	5,570	5,954	5,009	4,465	3,678	3,114	3,991
Four years later	-	-	-	-	6,404	4,939	4,478	3,548	3,228	4,007
Five years later	-	-	-	-	-	4,451	4,507	3,601	3,095	4,000
Six years later	-	-	-	-	-	-	4,451	3,624	2,855	3,961
Seven years later	-	-	-	-	-	-	-	3,686	2,773	4,022
Eight years later	-	-	-	-	-	-	-	-	2,781	3,975
Nine years later	-	-	-	-	-	-	-	-	-	4,003
Increase (decrease) in estimated incurred claims and expense from end of policy year	-	747	(810)	668	(472)	(91)	(235)	(67)	(218)	1,015

See accompanying independent auditors' report.

P&N Postlethwaite & Netterville

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Officers and Trustees
Louisiana Municipal Risk Management Agency
Public Liability Fund

We have audited the financial statements of Louisiana Municipal Risk Management Agency – Public Liability Fund (the Fund), as of and for the year ended December 31, 2008, and have issued our report thereon dated June 8, 2009. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Fund's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the following paragraphs to be significant deficiencies in internal control over financial reporting.

Financial Reporting Process
Management typically reports the Funds' interim financial activity essentially on a cash basis. The annual audited financial statements include significant adjustments to report the Funds' financial statements on an accrual basis in accordance with U.S. generally accepted accounting principles. Pursuant to the year end and audit processes, significant adjustments are required to convert the financial statements from the cash method of accounting to the accrual method of accounting.

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The nature of insurance programs involves significant risks and uncertainties that should be reported and monitored more often than annually. Management does monitor various measures not included in the financial statements but reports financial activities and financial position of the Fund on a cash basis which is not intended to capture important information inherent in accrual basis financial.

Management should implement additional financial reporting procedures to provide interim reporting on an accrual basis of accounting as opposed to essentially a cash basis of accounting. This can be accomplished by expanding financial processes related to premium recognition as well as developing processes for estimating and recording interim claims loss reserves and related expenses. We believe these changes will provide management and the Board with more timely and meaningful financial information to monitor the Fund's financial performance and position.

Loss Reserve Setting and Development
The Fund's administrator recently implemented new claims administration systems to more efficiently administer and adjudicate the Fund's insurance program. However, as is often the case when system conversions, it became apparent that several sources of data key to estimating and development of reasonable and reliable loss reserve liabilities were inconsistent and required extensive analysis. These factors contributed to less reliability and more variability in the overall loss reserve estimation process.

The Fund's loss data should be continually evaluated to better insure sufficient and reliable information is available to estimate loss reserves with reasonable accuracy and consistency. Sufficient industry data and Fund specific information should also be regularly evaluated to assist in the development of fair and reasonable loss reserves and premium rates to diversify the risks among for the Fund's membership.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the management of the Louisiana Municipal Risk Management Agency – Public Liability Fund and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Baton Rouge, Louisiana
June 8, 2009

Postlethwaite & Netterville

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LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY

Workers Compensation Fund - - Liability Fund - - Health and Accident Fund

700 North 10th Street, Post Office Box 4327, Baton Rouge, Louisiana 70821

June 25, 2009

Stephen J. Theriot
Legislative Auditor
P.O. Box 94397
Baton Rouge, Louisiana 70804-9397

Dear Sir,

In the Financial Statements for the Louisiana Municipal Risk Management Agency Workers' Compensation Fund, Public Liability Fund, and Reserve Fund, for the year ended December 31 2008, our auditors Postlethwaite & Netterville, noted a significant deficiency in internal control over our financial reporting in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. The deficiencies were described as follows:

> *Financial Reporting Process* – The annual audited financial statements include significant adjustments to report the Funds' financial statements on an accrual basis in accordance with U.S. generally accepted accounting *principals. Management should implement additional financial reporting* procedures to provide interim reporting on an accrual basis of accounting as opposed to essentially a cash basis of accounting. This can be accomplished by expanding financial processes related to premium recognition as well as developing processes for estimating and recording interim loss reserves and related expenses.
>
> Loss Reserve Setting and Development – The Fund's loss data should be continually evaluated to better insure sufficient and reliable information is available to estimate loss reserves with reasonable accuracy and consistency. Sufficient industry data and Fund specific information should also be regularly evaluated to assist in the development of fair and reasonable loss reserves and premium rates to diversify the risks among the Fund's membership.

When the audit results were presented to the Board of Directors at the June 10, 2009, meeting, this deficiency was noted. The deficiency does not result from any changes in the organization's financial controls or from any difference in our relationship with our auditors compared with past years.

The deficiencies as noted will be eliminated by having the Chief Financial Officer of the Louisiana Municipal Association make the adjustments to the accounts receivable and unearned premium accounts to properly reflect the accrual basis of the receivables/unearned premiums as well as related revenue. New procedures will be implemented for estimating and recording claims loss reserves and related expenses. New billing software has been implemented to allow the Chief Financial Officer to make these adjustments on a quarterly basis. Reinsurance receivables will also be adjusted by the Chief Financial Officer. The Fund's loss data will be continually evaluated to better insure sufficient and reliable information is available to estimate loss reserves with reasonable accuracy and consistency.

Very truly yours,

Tom Ed

Tom Ed McHugh
Executive Director
Louisiana Municipal Association

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
ACCIDENT AND HEALTH FUND

FINANCIAL STATEMENTS

DECEMBER 31, 2008

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LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
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LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
ACCIDENT AND HEALTH FUND

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Accident and Health Fund
Baton Rouge, Louisiana

We have audited the accompanying statements of net assets of Louisiana Municipal Risk Management Agency – Accident and Health Fund (a quasi-public organization) (the Fund) as of December 31, 2008 and 2007, and the related statements of revenues, expenses and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and with *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Louisiana Municipal Risk Management Agency - Accident and Health Fund as of December 31, 2008 and 2007, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 2 through 4 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit this information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report, dated June 8, 2009, on our consideration of the Fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audits.

Postlethwaite & Netterville

Baton Rouge, Louisiana
June 8, 2009

8550 United Plaza Blvd, Suite 1001 • Baton Rouge, LA 70809 • Tel: 225.922.4600 • Fax: 225.922.4611

LOUISIANA MUNICPAL RISK MANAGEMENT AGENCY - ACCIDENT AND HEALTH FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

The Management's Discussion and Analysis of the Louisiana Municipal Risk Management Agency – Accident and Health Fund (the Fund) presents a narrative overview and analysis of the Fund's financial activities for the years ended December 31, 2008 and 2007. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. We encourage readers to consider the information presented here in conjunction with the Fund's financial statements, which follow this section.

Financial Highlights

- The assets of the Fund exceeded its liabilities at December 31, 2008 by $1,345,633 compared to the Funds liabilities exceeding its assets by of $5,346 as of December 31, 2007.
- At December 31, 2008, the Fund's assets totaled $3,730,049, which consisted primarily of cash and receivables, as compared to a balance of $1,809,821 at December 31, 2007.
- The Fund reported gross premiums earned of $12,742,605 and $11,356,002 during the years ended December 31, 2008 and 2007, respectively.
- The Fund reported an increase in net assets of $1,340,287 during the year ended December 31, 2008 compared to an increase in net assets of $948,925 during the year ended December 31, 2007.
- In the current year, the Fund has eliminated its deficit over the past several years implementing a combination premium rate increases and benefit reductions exceeding projected medical inflation and utilization.

Overview of the Financial Statements

This financial report consists of Management's Discussion and Analysis and the basic financial statements. The basic financial statements also include notes to the basic financial statements, which explain some of the information in the basic financial statements in more detail.

The basic financial statements of the Fund report information about the Fund using accounting methods similar to those used by the private sector. The Statements of Net Assets include all of the Fund's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to the Fund's members and creditors (liabilities). They also provide the basis for computing rate of return, evaluating the capital structure of the Fund and assessing the liquidity and financial flexibility of the Fund. All of the year's revenues and expenses are accounted for in the Statements of Revenues, Expenses and Changes in Net Assets. These statements measure the success of the Fund's operations over the year and can be used to determine profitability, credit worthiness, and whether the Fund has successfully recovered all its costs through its premium and investment income. The final required financial statements are the Statements of Cash Flows. The primary purpose of these statements is to provide information about the Fund's cash receipts and cash payments throughout the year. These statements report cash receipts, cash payments and net changes in cash resulting from operations, investing, and financing activities.

Overview of the Financial Statements (continued)

The preparation of these financial statements requires the utilization of significant estimates, many of which will not be known for many years. Changes in estimates as well as the differences in actual results and estimated amounts will be included in the Statements of Revenues, Expenses and Changes in Net Assets as these circumstances become known.

Financial Analysis of the Fund

The Statements of Net Assets and the Statements of Revenues, Expenses and Changes in Net Assets report information in a way that the reader can determine if the Fund is in a better financial position as a result of the year's activities. These statements report the net assets of the Fund and changes in it. Net assets (difference between assets and liabilities) can be used to measure financial health or financial position. Over time, increases and decreases in the Fund's net assets are one indicator as to whether its financial health is improving or deteriorating. There are other non-financial factors to consider, such as changes in economic conditions, healthcare costs, judicial environment, and new or changed government legislation.

Condensed Statements of Net Assets

	December 31, 2008	December 31, 2007
Total assets	$ 3,730,049	$ 1,809,821
Total liabilities	2,384,416	1,804,475
Net assets	$ 1,345,633	$ 5,346

At December 31, 2008, the Fund's assets represent approximately 156% of the Fund's estimated liabilities. The Fund's total liabilities consist primarily of estimated claims payable, which increased approximately 48% due to increased claims experience.

Condensed Statements of Revenues and Expenses and Changes in Net Assets for the Years Ended December 31:

	2008	2007
Operating revenues	$ 12,742,605	$ 11,356,002
Operating expenses	11,437,324	10,444,281
Operating income	1,305,281	911,721
Non-operating income	35,006	37,204
Change in net assets	$ 1,340,287	$ 948,925

Financial Analysis of the Fund (continued)

The Fund experienced an excess of revenues over expenses in the amount of $1,340,287 for the current year resulting from increased premium rates and increased participants. (See Statements of Revenues, Expenses and Changes in Net Assets on page 6 of this report). During the year ended December 31, 2008, the Fund reported premium income of $12,742,605 and investment income of $35,006. The Fund reported total expenses of $11,437,324, which consisted primarily of claims expense, excess insurance and service agent expenses. Claims expense incurred during the year ended December 31, 2008 and 2007 represented 79% and 80% of premium income, respectively.

Requests for Information

This financial report is designed to provide members, investors, and creditors with a general overview of the Fund's finances, as well as demonstrate accountability for funds the Fund receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Louisiana Municipal Risk Management Agency – Accident and Health Fund, P.O. Box 4327, Baton Rouge, Louisiana 70821 or 225-344-5001.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
ACCIDENT AND HEALTH FUND

STATEMENTS OF NET ASSETS
DECEMBER 31, 2008 AND 2007

ASSETS

	2008	2007
Cash and cash equivalents (note 4)	$ 2,477,411	$ 1,373,952
Accounts receivable, net	498,529	279,328
Reinsurance receivable	754,109	156,541
Total assets	$ 3,730,049	$ 1,809,821

LIABILITIES AND NET ASSETS

	2008	2007
Liabilities:		
Unpaid claims liability (note 3)	$ 2,123,000	$ 1,437,000
Accounts payable and other liabilities	144,293	262,433
Due to affiliates (note 2)	117,123	105,042
Total liabilities	2,384,416	1,804,475
Net assets	1,345,633	5,346
	$ 3,730,049	$ 1,809,821

The accompanying notes are an integral part of these financial statements.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
ACCIDENT AND HEALTH FUND

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007
OPERATING REVENUES		
Premiums earned	$ 12,742,605	$ 11,356,002
Total operating revenues	12,742,605	11,356,002
OPERATING EXPENSES		
Claims expense (note 3)	10,060,186	9,128,180
Reinsurance premiums and commission (note 2)	716,892	714,246
Service agent fees (note 2)	616,755	574,228
Administrative fees (note 2)	13,034	12,773
Miscellaneous	30,457	14,854
Total operating expenses	11,437,324	10,444,281
OPERATING INCOME	1,305,281	911,721
NON-OPERATING INCOME		
Investment income, net (note 4)	35,006	37,204
CHANGE IN NET ASSETS	1,340,287	948,925
NET ASSETS (DEFICIT) - BEGINNING OF YEAR	5,346	(943,579)
NET ASSETS - END OF YEAR	$ 1,345,633	$ 5,346

The accompanying notes are an integral part of these financial statements.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
ACCIDENT AND HEALTH FUND

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007
Cash flows from operating activities:		
Operating income	$ 1,305,281	$ 911,721
Adjustments to reconcile operating income to net cash provided by operations:		
Change in reinsurance receivable	(597,568)	(3,065)
Change in receivables	(219,201)	(138,590)
Change in unpaid claims liability	686,000	(256,000)
Change in accounts payable and other liabilities	(118,140)	143,264
Net cash provided by operating activities	1,056,372	657,330
Cash flows from investing activities:		
Investment interest received	35,006	37,204
Net cash provided by investing activities	35,006	37,204
Cash flows from financing activities:		
Change in due to affiliates	12,081	13,126
Net cash provided by financing activities	12,081	13,126
Net change in cash	1,103,459	707,660
Cash, beginning of year	1,373,952	666,292
Cash, end of year	$ 2,477,411	$ 1,373,952

The accompanying notes are an integral part of these financial statements.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
ACCIDENT AND HEALTH FUND

NOTES TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Background and Financial Statement Presentation

Louisiana Municipal Risk Management Agency (LMRMA) was formed under Louisiana Act No. 462 of 1979 to provide a program of workers' compensation, accident and health, and public liability coverage for its member organizations. In accordance with Revised Statutes 33:1341-1350, all local government subdivisions in the State of Louisiana are eligible to participate. The Accident and Health Fund's (the Fund) general objectives are to formulate, develop, and administer, on behalf of the member local governmental subdivisions, a program of interlocal risk management, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. Local governmental subdivisions joining the Fund must be members of the Louisiana Municipal Association; a member may withdraw from the Fund by giving proper notice. Fund underwriting and rate-setting policies have been established by the Board of the Fund after consultation with actuaries. If the assets of the Fund were to be exhausted, members would only be responsible for their respective outstanding claims.

Louisiana Municipal Association (LMA) is an association for the municipalities of Louisiana and is incorporated as a nonprofit corporation under the laws of the State of Louisiana. LMA acts as the administrator for the Fund.

Risk Management, Inc. (RMI) is a third-party service agent primarily for LMRMA insurance funds. RMI, a Louisiana Corporation, is a wholly-owned subsidiary of LMA.

Louisiana Municipal Reserve Fund Agency (LMRFA) was formed under Louisiana Revised Statutes 33:1349(e). LMRFA consists of interlocal risk management agencies pooling excess funds to provide reinsurance. Administration of the LMRFA is vested in the Executive Board of LMA. Effective January 1, 2003, LMRFA began providing reinsurance for the Fund.

As of December 31, 2008 and 2007, there were 55 and 58 participating municipalities in the Fund with a total number of participants of 2,777 and 2,593, respectively.

The various LMRMA Funds, LMA and RMI are all affiliated through common membership and management control. Although all of these entities are related parties, their various net assets are available only to each individual entity for its operations. For this reason, each entity is presented as a separate "stand alone" entity in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 10 and GASB Statement No. 14.

(b) Basis of Accounting

The Fund is considered an enterprise fund and, accordingly, uses the accrual method of accounting and the flow of economic resources measurement focus. Under the accrual basis of accounting, revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred. The Fund applies all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989 in accounting for its operations unless those pronouncements conflict with or contradict GASB pronouncements. Since the business of the Fund is essentially that of an insurance company, having a business cycle greater than one year, the statements of net assets are not presented in a classified format.

LOUISIANA MUNICIPAL RISK MANAGEMENT AGENCY
ACCIDENT AND HEALTH FUND

NOTES TO FINANCIAL STATEMENTS

1. **SIGNIFICANT ACCOUNTING POLICIES** (continued)

(c) Premium Income and Accounts Receivable

Premiums are recognized as income over the term of the policies as they become earned on a pro rata baiss. Any adjustments to annual premiums are considered to be a change in estimate and are recognized in the year they become known.

The Fund considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been established. If accounts become uncollectible, they will be charged to operations when that determination is made. Collections on accounts previously written off are included in other income when received.

(d) Operating / Non-Operating Revenue and Expense

Operating revenues consist of member premiums as these revenues are generated from the Fund's operations and are needed to carry out its statutory purpose. All expenses incurred for that purpose are classified as operating expenses. Investment income and other revenues and expenses, which are ancillary to the Fund's statutory purpose, are classified as non-operating.

(e) Unpaid Claims Liability

The Fund establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Estimated amounts of reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claim liability does not necessarily result in an exact amount. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claims frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflects past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expenses in the period in which they are made. The carrying amount of liabilities for claims losses and claims expenses is presented at the estimated claims amounts in the financial statements.

(f) Cash and Cash Equivalents

For the purposes of the statements of cash flows, cash includes amounts in demand deposit accounts with banks, and money markets and repurchase agreements, which are usually purchased with maturities of 90 days or less or are reinvested continuously.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Excess Reinsurance

The Fund uses excess reinsurance to reduce its exposure to large losses on insured events. Further description of the reinsurance coverage is described in Note 5. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Fund as direct insurer of the risks reinsured. The Fund does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurers. Claims expense consists of claims incurred during the current year, adjustments to the accounting estimate of prior years' claims expense and a reduction for claims covered by the reinsurer in accordance with the reinsurance policy. Reinsurance receivable represents claims paid in excess of excess retention. The Fund considers reinsurance receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been established.

(h) Income Taxes

The Fund is exempt from federal income taxes under Sections 7701 and 115(1) of the Internal Revenue Code.

(i) Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions. For example, significant estimates and assumptions are used in estimating its insurance liabilities, and accruals. If future experience differs materially for these estimates and assumptions, the financial statements could be affected.

(j) Reclassifications

Certain items in the 2007 financial statements have been reclassified to be comparative to the 2008 presentation.

2. RELATED PARTY TRANSACTIONS

LMA, RMI and LMRFA provide services related to the self-insurance funds operated for the benefit of Louisiana municipalities. The fees incurred by the Fund for these services and related balances owed are as follows:

	2008	2007
Expenses and current fee structure:		
Administrative fees – LMA ($.60 per person per month)	$ 13,034	$ 12,773
Service agent fees – RMI ($27.75 in 2008; $26.45 in 2007 for health and $1.20 for dental participant in 2008 and 2007)	$ 616,755	$ 574,228
Reinsurance premium expense – LMRFA ($27.77 in 2008 and $28.32 in 2007 per person for health participants)	$ 603,275	$ 605,453
Reinsurance commission – RMI ($5.23 in 2008 and 2007 per health participant)	$ 113,617	$ 108,793
Due to affiliates:		
LMA	$ 1,134	$ 1,030
RMI	115,989	104,012
	$ 117,123	$ 105,042

The Board of Trustees has authorized up to $500,000 in borrowings, which are unsecured and non-interest bearing from the LMRFA. During 2008 and 2007, there are no amounts drawn on this line of credit. For the year's ended December 31, 2008 and 2007, the Fund recorded and offset related claims expense $1,101,303 and $562,396, respectively received from the LMRFA as it relates to the reinsurance arrangements (see note 5). Of these amounts, $754,108 and $156,541 are receivable as of December 31, 2008 and 2007, respectively.

3. CLAIMS EXPENSE AND UNPAID CLAIMS LIABILITY

The following represents changes in the Fund's aggregate unpaid claims liabilities for the years ended December 31:

	2008	2007
	(Amounts in thousands)	
Unpaid claims and claims adjustment expenses liability, beginning of year	$ 1,437	$ 1,693
Incurred claims and claims adjustment expense-provision for insured events	10,060	9,128
Less payments – claims and claims adjustment expenses	(9,374)	(9,384)
Unpaid claims and claims adjustment expenses liability, end of year	$ 2,123	$ 1,437

Settled claims have not exceeded aggregate insurance coverages in any of the past two fiscal years.

4. CASH AND CASH EQUIVALENTS

The Fund must comply with Rule Number 4 of the Commissioner of Insurance, State of Louisiana. According to Rule Number 4, all deposits in financial institutions made by these funds shall be limited to institutions in Louisiana unless a higher rate can be obtained in an out-of-state institution. Deposits in financial institutions may exceed the federally insured amount in any one financial institution, as long as the amount is not in excess of the greater of $500,000 or 5% of the combination of surplus, undivided profits and reserves as currently reported by the financial institution. In regard to deposits and investments, the Fund is in compliance with these revised provisions as of and during the years ended December 31, 2008 and 2007. All demand deposits are insured or collateralized by pledged securities held by an agent in the name of the Fund.

Under Rule Number 4 of the Commissioner of Insurance, State of Louisiana, the Fund may invest any surplus monies in obligations of the U.S. Government and its agencies, as well as financial institutions.

Net investment income for the years ended December 31, 2008 and 2007 consists of the following:

	2008	2007
Interest income	$ 35,006	$ 37,204

5. REINSURANCE POLICY COVERAGE

The Fund and its excess reinsurer represent a cooperative program for group funding and risk management of accident and health claims of participating Louisiana municipalities. Although premiums billed to the participants are determined on an actuarial basis, the ultimate liability for claims remains with the members/participants, and the Fund has the authority to assess the members/participants to fund any deficits incurred.

Since January 1, 2003, the Fund has obtained reinsurance from LMRFA to provide the following coverage:

Item I: Annual aggregate in excess of 125% of annual earned normal premium.

Item II: $900,000 specific losses in excess of $100,000 each and every loss.

Amounts paid to LMRFA for reinsurance were obtained at a discounted rate compared to what was provided by a commercial insurer years prior to 2003. See Note 2 for details on amounts paid to and recovered from LMRFA for reinsurance arrangements.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Officers and Trustees
Louisiana Municipal Risk Management Agency
Accident and Health Fund
Baton Rouge, Louisiana

We have audited the financial statements of Louisiana Municipal Risk Management Agency – Accident and Health Fund (the Fund), as of and for the year ended December 31, 2008, and have issued our report thereon dated June 8, 2009. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Fund's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record or process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

8550 United Plaza Blvd, Suite 1001 • Baton Rouge, LA 70809 • Tel: 225.922.4600 • Fax: 225.922.4611

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management of the Louisiana Municipal Risk Management Agency – Accident and Health Fund and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Postlethwaite & Netterville

Baton Rouge, Louisiana
June 8, 2009

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